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ABSTRACT

As a result of federal legislation aimed at welfare reform, states have been transforming welfare in new ways. Critical questions remain, however, and policymakers must continue to develop new ideas and implement programs from other states. This book contributes to the learning process among states by sharing program innovations and analyses to help states realize their goals for a new welfare that helps recipients find and keep jobs that will enable them to support their families without welfare. The first section of the guide provides an overview of meeting the challenges of welfare reform. The second section, "Finding and Creating Jobs for Welfare Recipients," addresses job development, microenterprise programs, targeted state employment, and community service. The third section, "Preparing Recipients for Work," addresses assessment, support services, job readiness, education, vocational training, and work experiences. The fourth section, "Child Care," examines the issues of eligibility, copayment, and reimbursement rates and mechanisms. The fifth section, "Getting to Work: Providing Transportation in a Work-Based System," addresses the transportation dilemma, transit alternatives, and life after welfare. The sixth section, "Ensuring the Well-Being of Children Under Welfare Reform," addresses tracking families that leave welfare, safety net programs, and effects on the child welfare system. The seventh section, "Overseeing Welfare Reform: Accountability, Financing and Devolution," addresses block grants and state spending. (Contains 43 notes.) (SD)

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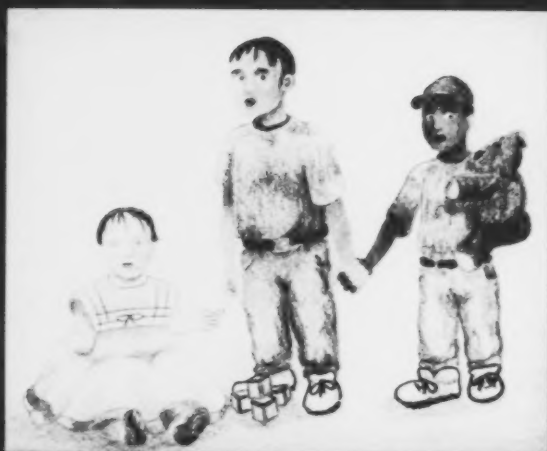
Meeting the Challenges of Welfare Reform Programs with Promise

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Meeting the Challenges of Welfare Reform

Programs with Promise

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The National Conference of State Legislatures serves the legislators and staffs of the nation's 50 states, its commonwealths, and territories. NCSL is a bipartisan organization with three objectives:

- To improve the quality and effectiveness of state legislatures,
- To foster interstate communication and cooperation,
- To ensure states a strong cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.



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PREFACE AND ACKNOWLEDGMENTS

Meeting the Challenges of Welfare Reform: Programs with Promise is the product of the Children and Families Program at the National Conference of State Legislatures (NCSL). The Children and Families Program provides states legislatures with information and technical assistance on a variety of issues—welfare reform, child care, child support, child welfare, human services reform and juvenile justice.

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1. OVERVIEW: MEETING THE CHALLENGES OF WELFARE REFORM

State and federal reforms are bringing an end to welfare as we know it. States now are engaged in the process of creating the "new welfare." Most states did not wait for the long-anticipated federal reforms and already had legislated new programs focused on work. Within one year after the federal welfare reform legislation—Temporary Assistance to Needy Families (TANF)—almost all the states have in place a foundation for work-based welfare. States now are monitoring those programs and making adjustments to improve them.

And welfare is changing. Caseloads are decreasing as never before, at remarkable rates: by 27 percent from January 1994 to July 1997. Five states witnessed drops of more than 50 percent and welfare rolls went down by more than 40 percent in seven others. Of course, the decline is not due only to reform. The strong U.S. economy is the most significant contributor. Reducing caseloads, however, cannot be the sole measure of success. The key measurement is whether families leave the welfare rolls because the parents have found work that can support the family without welfare. But the caseload drop shows that welfare can be improved, that what seemed like an intractable system could be jolted into change. It also indicates that continued efforts might produce the desired transformation to a work-based system where most families who cannot support themselves can receive temporary cash assistance and the training and services they need to find work and have a chance to become self-sufficient.

The next year will present a critical opportunity for lawmakers to build on this new foundation. First, lawmakers recognize that transforming welfare into a work-based system cannot be accomplished with a single set of reforms. Legislators are attempting to accomplish ambitious goals that welfare programs have never been able to achieve—keeping recipients in jobs, helping them advance to jobs that enable them to support their families without welfare, addressing the multiple barriers that face hard-to-serve recipients, overcoming problems of substance abuse and family violence, helping recipients who live in areas with few jobs, avoiding large caseload increases during weak economies, and protecting children and families when the adults are not able to meet the new program requirements. Legislators recognize that, although considerable progress has been made,

by Jack Tweedie

new programs have to meet the challenges of enabling most recipients to find and keep work and to support their families without welfare.

Second, the huge caseload reductions show that welfare can be changed. Caseloads across the country have dropped by more than one-quarter, even before most new welfare programs have become fully effective. These caseload reductions clearly depend on a strong economy, but the reductions offer stunning proof of the possibilities of change in welfare. Policymakers realize that there is more to be done; but the caseload reductions provide momentum for continued program development to respond to the remaining barriers.

Third, the U.S. economy remains strong. It is clear that the economy is the primary reason welfare rolls have dropped. Welfare programs can continue to channel more recipients into jobs and work to improve the skills and jobs of ex-recipients, so more of them keep their jobs when the economy declines, more can find jobs with adequate benefits and pay, and more families can move out of poverty. Continued success during the current strong economy can reduce the effect of an economic decline.

Fourth, the caseload reductions mean that states have resources already allocated to welfare programs that are available for further investments in new and expanded programs to help recipients. States' budgets were based on what has turned out to be conservative estimates of the change in the caseload. States are paying out less in cash assistance to fewer cases and more families with earned income, so states are building surpluses in their welfare spending accounts. Most of this money must be spent on welfare (targeted to TANF families) if states are to avoid losing federal money, so many legislators see this as a critical time to strengthen the welfare reforms already under way.

Finally, many states developed creative new approaches to the challenges of welfare reform. By focusing on the barriers that recipients face in obtaining jobs, states have been able to develop policies to help recipients overcome these barriers. Where recipients lack job skills and experience, states create programs that provide practical work experience and help finding jobs. Where adequate child care is lacking, states provide more subsidized positions and provide incentives to create quality child care. Where recipients face transportation problems, states supplement existing public transit services to transport recipients to suburban jobs and establish programs to help recipients purchase cars. Where potential employers are reluctant to hire welfare recipients because of concerns about unemployment insurance, states create temporary exemptions to eliminate the risk. Never before have states had such a great opportunity to try new ideas. As a result, the pool of new program ideas is growing rapidly. Because these ideas are not yet fully tested, their potential to realize the ambitious goals of welfare reform are unknown. But they do provide possibilities for states that want to capitalize on the strong economy and put more recipients into jobs.

The size of the challenges that remain should not be underestimated. States have just begun to transform a system that has defeated past efforts. They embarked on this effort

without knowing how to achieve their goals—how to keep recipients in jobs that will support families, how to prepare hard-to-place recipients for work, how to overcome problems of substance abuse and family violence, and how to avoid large caseload increases during weak economies. But states are taking on these challenges aggressively. They have developed a variety of approaches to address these difficulties, given their own economic and social conditions. The different strategies provide an opportunity to learn as some programs succeed and others fall short. (The quality of lessons depends on careful state evaluation of their programs.) Although the necessary answers may not be readily apparent, there is a real chance to learn them as new state programs unfold.

Key Issues For States In Welfare Reform

States still face critical challenges in transforming welfare. They need to develop new programs, borrow good ideas from other states, and expand demonstration projects into full-scale programs. Six welfare policy issues are critical in this transformation.

- **Creating Jobs**—In many states and local areas, not enough suitable job opportunities exist for recipients who have limited education and work experience. How can states create needed job opportunities in these areas by working with employers and providing incentives for them to hire welfare recipients?
- **Preparing Recipients For Work**—Many welfare recipients have low levels of education and no or limited work experience. How can states train caseworkers and develop new programs to prepare and train recipients for the work force so that they find and keep jobs to support their families?
- **Child Care**—Requiring recipients to participate in work activities and placing them in jobs requires a substantial increase in child care. How can states locate, create and finance enough child care positions for recipients who go to work, community service, training and work preparation activities? And how can states maintain quality?
- **Transportation**—Most recipients face difficult barriers in getting their children to child care and getting to work. How can states provide recipients with transportation that is efficient, flexible and dependable?
- **Safety Net**—Some parents will not fulfill their new responsibilities and participation requirements. Some parents' time limits will expire. How can states protect the well-being of children whose parents lose their eligibility for benefits without undermining those parents' incentives to become self-supporting?
- **Finance And Accountability**—Although the executive branch has primary responsibility for implementing these reforms, legislatures still have a critical role. How can legislatures monitor welfare implementation so they can make needed changes to ensure that reforms are responsive to their concerns?
- Legislatures also must develop means to finance welfare if the economy weakens. States now have money available for increased job programs and child care without added state spending. However, economic declines will require increased spending as resources become more limited and federal funding does not automatically increase. How can legislatures ensure adequate financing for welfare and work programs when the economy weakens?

The Foundation for Work-Based Welfare

State legislators, along with governors and welfare agency officials, have taken several important steps in creating new and different welfare programs. Most states have enacted legislation that provides the foundation for a work-based welfare system. States require recipients to work and to find jobs so they can leave welfare, but states also provide needed supports—job training, child care and transportation—that will enable more recipients to find jobs and to keep them.

Thirty-seven states enacted major, statewide welfare reforms before the federal TANF program was enacted. Passage of TANF prompted several of these states to make changes in their programs, but most closely followed their original designs that were adopted under the Aid to Families with Dependent Children (AFDC) programs. Several legislatures that had not enacted comprehensive reforms were prompted to act. With laws passed during the summer of 1997 in California, New York and North Carolina, all but four states now have a statutory basis for work-based welfare. And those four states have made considerable progress. Missouri began welfare reforms in 1994 and has aggressively pursued work-based reforms administratively. Kentucky did not have a legislative session in 1997 and Alabama legislators could not come to agreement on reform legislation 1997; however, both states have moved forward administratively. In 1997, New Mexico's reform efforts were sidelined in a dispute between the governor and the Legislature, but it is likely to pass legislation in 1998 that contains far-reaching reforms. Illustrating the way reforms have been shared across the country, New Mexico's proposals borrow heavily from other states' new ideas, such as individual development accounts, increased earnings disregards and marriage bonuses. The proposals also contain some innovations of their own, such as TANF housing subsidies and expanding income-based eligibility for the full range of support services.

Examining state reforms demonstrates the idea of states as the laboratories for policy experiments. States have developed a wide array of new policies as they attempt to transform welfare. NCSL has tracked the different components of state welfare reform. State changes include several similar elements that have been combined in different ways and to which states have added new ideas of their own.

Time Limits

Almost every state with reforms has adopted time limits, although the nature of these limits varies. Following the enactment of TANF, many states adopted *lifetime limits* that provide for a definite end to benefits unless the recipient family meets a limited definition of hardship. These limits provide an end for benefits like that envisioned in the federal five-year time limit. Few states had legislated lifetime limits before TANF, in large part because the U.S. Department of Health and Human Services would not approve waiver requests that did not provide for the continuation of benefits as long as recipients tried to get a job or were willing to take community service positions. Thirty-five states now have adopted lifetime limits. Most of these limits are 60 months. Only six states have lifetime limits of less than five years. Three others have authorized welfare agencies to set shorter limits.

Table 1.

State Welfare Reform Provisions

State	Lifetime Limits	Expand Income Disregards	Increase Asset Value on Car	Increase Asset Limit or Disregard Amount in IDA	Family Cap	Diversion Payment	Lower Benefits for New State Residents
Alabama							No provisions
Alaska	60 months	•	•			•	
Arizona	60 months	•	•	•	•	•	
Arkansas	24 months	Admin	•	Admin	•		
California	60 months	•	•	•	•	•	•
Colorado	60 months	•	•	•		•	
Connecticut		•	•	•	•		•
Delaware		•	•	•	•		
District of Columbia		•		•	•		
Florida	48 months	•	•	•	•	•	
Georgia	48 months	Admin	•	•	•		•
Hawaii	60 months	•	•	•			
Idaho	Administrative			Admin		•	
Illinois	60 months	•		•	•		•
Indiana	24 months	•		•	•		
Iowa	Individual	Admin	Admin	Admin			•
Kansas	Administrative	•	•				
Kentucky						•	
Louisiana	60 months	Admin	Admin	Admin			
Maine		•				•	
Maryland	60 months	•	•	•	•	•	
Massachusetts	60 months	•	•	•	•		
Michigan		•	•				
Minnesota	60 months	•	•	•		•	•
Mississippi	60 months	•		•	•		
Missouri		•	•	•			
Montana	60 months	•	•	•		•	
Nebraska		•	•	•	•		
Nevada	60 months						
New Hampshire		•	•	•			
New Jersey	60 months	•			•		
New Mexico	60 months	•		•			
New York	60 months	•		•		•	•
North Carolina	24 months						
North Dakota	60 months	•	•	•	•		•
Ohio	60 months	•	•	•			
Oklahoma	60 months	•	•	•	•	•	•
Oregon		•	•	•			
Pennsylvania		•	•	•			•
Puerto Rico							No provisions
Rhode Island	60 months	•	•	•		•	•
South Carolina	60 months	•	•	•	•		
South Dakota	Administrative		•	•		•	
Tennessee	60 months		•		•		
Texas			•	•		•	
Utah	16 months	•	•	•		•	
Vermont		•	•	•			
Virginia		•	•	•	•	•	
Washington	60 months	•	•	•		•	•
West Virginia	60 months			•		•	
Wisconsin	60 months		•	•	•	•	•
Wyoming	60 months	•	•	•	•		

Compiled by David Kitchner, Ph.D.

Indiana, which has a two-year limit, allows clients to earn back a one-month extension of their time limit for every six months of work. Most states with lifetime limits have not specified what circumstances qualify a family for an exemption, so it remains to be seen how many families will be affected.

A few states have set shorter, *periodic time limits* that function like lifetime limits in that they end benefits after a certain period and allow only hardship exemptions; however, recipients can reapply for benefits after a certain period of time. Ohio, for instance, provides that a family can receive benefits for only 36 cumulative months and then, unless it receives a hardship exemption, must wait 24 months to reapply.

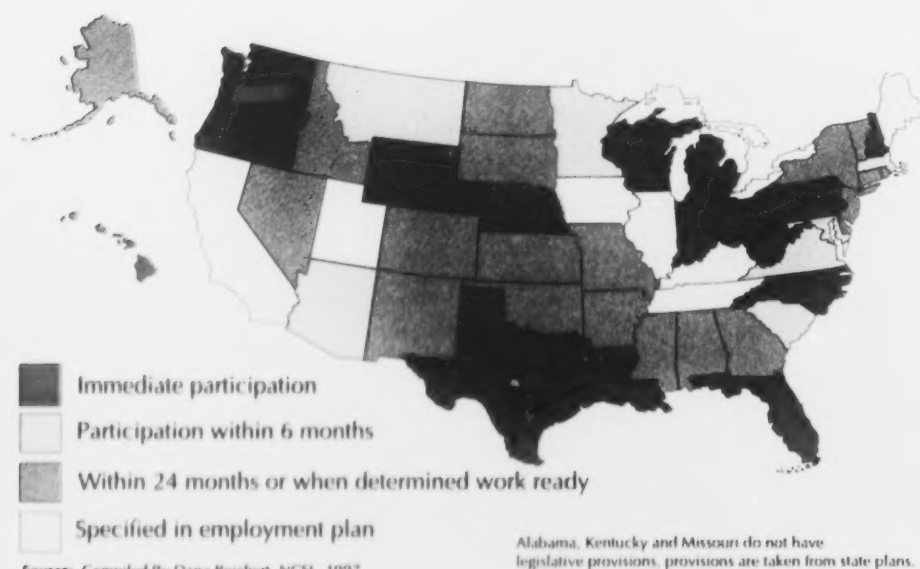
Some states' lifetime limits do not result in the termination of benefits to the family. Indiana's two-year limit applies only to the adults in the case. California's five-year limit has the same effect. After five years, New York continues to provide a lower level of benefits to the family through a safety net program.

States also have enacted *conditional time limits*, many of which predate TANF, when states could not obtain a waiver for more stringent limits. After conditional limits expire, commonly after 24 months, recipients face a new obligation, such as community service work or increased cooperation with welfare agency efforts to find a job. They continue to receive benefits as long as they meet the new conditions. Most states have these kinds of time limits, often in combination with a longer, lifetime limit.

Work Participation Requirements

Most states have increased work requirements. Almost all recipients now are included. Only parents of very young children (under 3 months) and disabled adults are commonly exempt. The requirements also apply more quickly—often immediately or within a few months—and require more hours per week, following the federal rules. Some states are reducing or eliminating recipients' ability to count job search and education as the primary activities that count toward their participation requirements. This follows the federal TANF emphasis on work as well as the "work first" principle. Other states have continued to allow recipients to pursue educational activities under some conditions. Maine created a separate state program so that recipients in college would not count against their work rates. New Jersey allows participants to combine education and community service for their work activity. Figure 1 illustrates state work participation requirements.

Figure 1.
State Work Participation Requirements



Source: Compiled By Dana Reichert, NCSL, 1997

Welfare Office Changes

Many states have transformed their welfare offices into welfare-to-work offices. They have increased employment and training staff or have changed the function of caseworkers, who are increasingly serving as job developers and counselors. Some states have added these work responsibilities to those of welfare caseworkers. States such as Wisconsin and Michigan have refocused the entire agency on work; others, such as Florida, have created one-stop welfare-to-work offices where applicants complete their application and consult with labor and employment specialists.

Expanded Child Care

States have expanded child care programs substantially, with spending increased by 30 percent to 50 percent in some states, by more than 100 percent in Minnesota and by more than \$100 million in Illinois. They have created more places and increased availability in ways that serve the needs of welfare recipients—infant care, night and weekend centers, and sick child care, for example. Some states, in response to early brain research, have emphasized quality and developmental activities. Many states also have expanded child care accessibility for the working poor regardless of whether they have been on welfare.

Increasing Access to Transportation

States, recognizing the barrier that transportation poses to recipients who must get their children to child care and themselves to work, are expanding transportation services. Louisiana guarantees transportation where needed, and Minnesota, South Carolina and Ohio exempt recipients from work requirements or sanctions if transportation is not available. States have contracted with transit services to provide "reverse commute" routes that take recipients from city centers into the suburbs where the growth in entry level jobs has been greatest. Most states have eased rules that made it difficult for recipients to own cars and for the state to provide cash for repairs and gas. Several states—Virginia, Maryland, Florida, Texas and Tennessee—have gone one step further by making surplus government or donated cars available to recipients for purchase at low cost.

Allowing Recipients to Keep more Earnings

Most states have increased the amount of money that recipients can earn without losing eligibility for some benefits. Connecticut and Indiana allow recipients to earn up to the federal poverty threshold (\$13,330 for a family of three) before they lose benefits. Other states have increased the percentage of earnings that are disregarded from the calculation of the family's benefits. The Aid to Families with Dependent Children (AFDC) program provided that \$30 and one-third of recipients' benefits would be disregarded for four months. Many states have extended that disregard and others have also increased it substantially. In Massachusetts and Nebraska, families subject to the work requirement can keep 50 percent of their earnings.

Allowing Recipients to Build Assets

Many states now allow recipients to open individual development accounts where they can deposit up to \$5,000 or \$10,000 for education, starting a business or buying a home. Illinois, Arkansas and Mississippi also have created programs that help recipients start small businesses.

Diverting Applicants from Welfare

Some states offer TANF applicants one-time lump sum payments to help with short-term expenses when that help might enable them to avoid going on welfare. Diversion recipients then are ineligible for welfare for a period of time. The lump sum payments represent three or four months of benefits and can be used to settle debts, repair a car or avoid eviction. And, even more importantly for some families, some diversion programs also give them access to medical, child care and transportation assistance.

Not Increasing Benefits when a Child Is Born on Welfare

Four states enacted family caps this year, where families that have additional children while on welfare do not receive the regular increase in benefits. Twenty-two states now have this policy, which varies by state. South Carolina allows the increase in vouchers for the child's

expenses or the mother's education or training expenses. Florida provides for one-half the increase for the first child born on welfare. Mississippi allows the welfare office to waive the cap for particular families.

Requiring Increased Collaboration among State Agencies

State welfare reform efforts recognize that human services agencies offer only some of the services that welfare recipients need to find jobs and become self-sufficient. Other agencies also have expertise and services that can contribute to recipients' finding jobs and becoming self-sufficient. States need to pool the efforts of several agencies—human services, education, higher education, child care, employment security, transportation, labor, and economic development. Florida established a state board with similar local boards to oversee implementation and collaboration. Arkansas created an advisory council made up of the heads of the agencies to develop implementation plans.

Devolving Responsibility to Counties

Several states used the new TANF program as an opportunity to pass broader authority and responsibility to local governments. California, Colorado, Maryland, New York, North Carolina, Ohio and Wisconsin have taken the lead in this state-to-county devolution. They maintained many statewide policies where eligibility, benefit levels, work requirements, time limits, and sanctions are set by state laws and regulations. Counties are given the responsibility to administer the system and to develop programs for work requirements and prepare recipients for work. These states structure financial incentives in various ways to help counties focus on getting recipients into work. Counties can keep a large share of the savings when recipients work and reduce or lose their benefit payments. The states also have provisions to penalize counties that fall short of the federal work participation rates.

North Carolina has gone further by allowing some of its counties to choose not to participate in the state system. "Electing counties" can change any or all welfare rules—including time limits, eligibility standards, benefit levels and work requirements.

Federal Welfare Issues

The federal law also explicitly raised several issues for states.

- Fourteen states now have laws providing lower benefits for recipients who moved into the state during the past year. Most of these states provide that applicants will receive the benefit level from their former state for 12 months if that benefit level is lower. These laws were challenged in the AFDC program and a recent decision in Pennsylvania found them to be an unconstitutional limit on travel between the states. The legal questions probably will not be resolved for several years.
- The federal law requires states to pass a law if they allow persons convicted of drug felonies to be eligible for benefits. Several states have incorporated this restriction into

their laws. Other states have provided that recipients can receive benefits if they participate in an approved drug treatment program, usually after a certain period of time (such as six months). Oregon and Maine have passed laws providing that drug felons will not be ineligible. Still other states did not address the issue, raising the question of whether they will provide assistance.

- The federal law included the family violence option, which highlighted the importance of screening for domestic violence in welfare families and recognizing that domestic violence can hinder women's work participation. Most states have followed the federal lead by incorporating special screening for victims. A few states, such as Mississippi, have exempted victims from work requirements and time limits. Many states have authorized agencies to waive work requirements and time limits in particular cases. Minnesota allows victims to enter a safety plan and does not count months in that plan toward the time limit.
- The federal law eliminated food stamps and supplementary security income for many legal immigrants. It also allowed states to choose whether to exclude these legal immigrants from TANF and Medicaid. Two states have limited legal immigrants' access to TANF and Medicaid. Alabama denied eligibility to legal immigrants and Georgia provided benefits for only one year. On the other hand, several states—such as Washington and New York—created state programs to help legal immigrants who lost benefits from other federal programs, such as food stamps and Supplementary Social Security.

Looking Forward

State reforms that focus welfare on work coupled with the continuing decrease in caseloads provide a strong foundation for transforming welfare in ways that few people thought possible even a few years ago. There remain, however, several critical questions or challenges—questions that states must answer if they are to succeed in this transformation of welfare. Five questions deserve special attention.

- **How will we help the least able of our recipients prepare for work and find jobs?**

With the recent caseload decline, the families that remain on welfare are in greater need of assistance and support. Most of the "easy cases"—recipients with the skills and ability to work or find other forms of support—have left welfare. Families that remain on welfare have, on the whole, deeper problems—less connection with work, fewer skills, lower levels of education, and more serious problems of mental health, family violence and substance abuse. They will need more help than did the participants who already have left welfare. And, despite recent progress, the design and operation of programs that will succeed with most of this population are yet to be determined. States and local governments will need to develop new programs to help these families so that they can have the opportunity all families should have—to be able to support themselves without needing welfare assistance.

- **How will we help recipients in areas where few entry-level jobs exist?**

In many areas of our states, recipients can attempt to find work but are unsuccessful either because there are no suitable jobs in the area or potential jobs require long travel and they have no car. States have to decide whether to target economic development programs that create entry level jobs in these areas. They also have to decide whether to extend benefits beyond families' time limits when there are not enough jobs for recipients. Maintaining these time limits would force many of those families to move to places where jobs are available and away from family and community support systems.

- **How can we support recipients who find jobs so that they remain in those jobs and move to better ones?**

Leaving welfare for work often is not a final departure. Many people leave when they get a job, only to lose that job six or nine months later and return to welfare. One of the greatest challenges for welfare reform is to stop the cycle of recipients who leave and return to welfare. Most recipients leave welfare and most of those who leave come back: They become discouraged and quit because they find themselves in worse straits than when they were on welfare, they are habitually late to work, their child care or transportation arrangements break down, they are fired because of a drinking problem or they become frustrated with their supervisors. Post-employment service programs are designed to help recipients make the transition to work, both in terms of back-up support services and adjustment to the world of work. These programs also can be designed to prepare recipients for jobs with increased wages and benefits so they can earn enough to adequately support their families. These programs will be critical if states are to sustain increased work participation and the recent caseload drops.

- **How will we protect the children in families where the adults do not fulfill their new obligations or whose time-limited benefits expire?**

The large drop in caseloads and the number of adults who did not schedule or attend assessments means that some families now are in need of help. A more realistic assessment is necessary to determine 1) how many families are finding and keeping jobs and 2) how many have left welfare because they are unable or unwilling to work or comply with new requirements and whose families will need further assistance in the future. Studies in several states that track recipients who leave welfare show that about one-half find work that, at least for now, enables them to support their families. In many cases, families who have left welfare are facing difficult circumstances and are likely to return. In addition, even recipients who find work often have difficulty keeping those jobs and moving to a job with a wage and benefits that are sufficient to support their families. The true measures of success involve how many participants move from welfare into better lives by working and supporting their families and by reuniting or forming new families. Caseload reductions are a good initial indication, but it is vital to look deeper and examine the effects that welfare changes are having on the lives of poor children and families. Where children are put at risk because of the family's difficult financial situation, alternatives must be provided to protect those children.

- **How will we respond to an economic decline? How will we maintain assistance while increasing spending on support services and job creation so that we can sustain the move of welfare recipients into the workforce?**

Part of this challenge involves helping recipients obtain jobs and skills that reduce the chance that they will lose their jobs in poor economies and increase the chance that those who do lose their jobs can find other jobs without the necessity of again relying on welfare. When the economy weakens, more families will again turn to welfare—that is an undeniable lesson of history. By developing programs that focus—through training and work—on locating good jobs for recipients, the effect of a poor economy can be reduced.

Resources also need to be available when the economy declines. This is a difficult proposition—at the same time less state money is available, more benefits will be necessary and more investments must be made in job training and job development. States need to prepare for these changes by planning how they will respond to poor economies and where money will come from to pay for these programs. Several states—such as Florida, Ohio and North Carolina—have set aside state money in a reserve fund; others are relying on unspent TANF block grant money as a reserve.

States have begun to address these questions as they move beyond creating a foundation for work-based welfare. They are increasingly experimenting with new ideas and looking to other states for help—borrowing promising ideas from other states and expanding successful programs of their own. States are hopeful as they view what could be the most remarkable achievement in social policy—the creation of a program that successfully requires and helps welfare recipients to work and support their own families.

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2. FINDING AND CREATING JOBS FOR WELFARE RECIPIENTS

State and federal welfare reforms emphasize moving recipients to work from welfare. Recipients are expected to participate in work activities while receiving benefit payments; however, time limits restrict how long most recipients can receive cash assistance, thus pushing them into the work force so they can support their families. One of the most difficult challenges facing states is the limited number of available jobs that are suitable for the skill levels and past work experience of most welfare recipients. Job availability is a critical issue in many states because most recipients live in cities and rural areas, while most suitable job openings are in suburban areas.

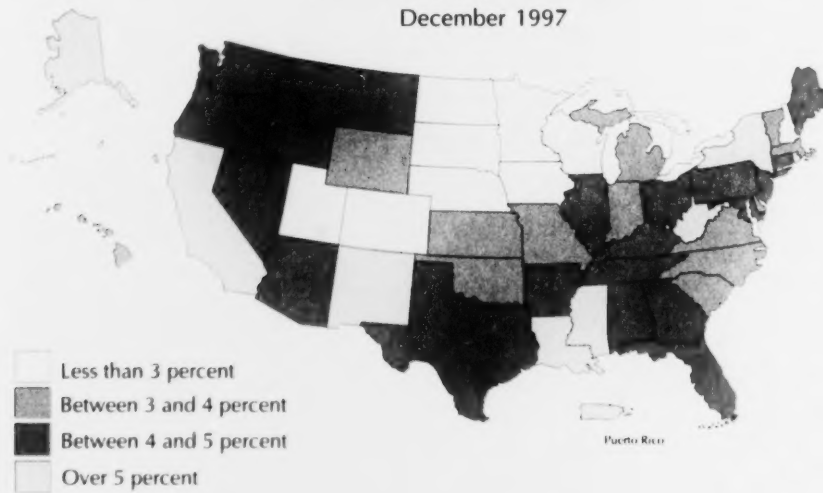
States will have to mount major efforts to locate suitable work and, in many cases, they will need to create work activity placements. Florida, for instance, estimated that it will need to create 120,000 jobs in the first two years of its new welfare reform program. The large caseload drop during the past few years has reduced the immediate need for creating jobs. Most states now can meet work participation rate requirements through caseload reduction. It is important to recognize, however, that only about 50 percent of those leaving welfare are getting jobs; many are relying on families, boyfriends and community resources that may not provide the stable support that a job can. As more recipients seek to move into the work force, states will have to work harder to identify job opportunities, particularly in areas where there are few suitable jobs. Some states already are struggling to find jobs for recipients in rural areas. States also should prepare for economic declines when fewer jobs will be available.

Although many states already have developed programs to address employment needs, these programs are small. They provide a basis for developing larger programs that can meet the needs of recipients who are looking for work. States without job creation programs should assess their particular needs and consider establishing pilot programs to develop experience and expertise so they can respond when job shortfalls arise. Figure 2 shows state unemployment rates as of October 1997.

by Jack Tweedie

Figure 2.
State Unemployment Rates

December 1997



Source: Bureau of Labor Statistics, December 1997.

Program Options

States have developed several approaches to finding and creating job opportunities. Most rely on their existing employment security or unemployment offices to help recipients identify job possibilities. Many states, however, have gone further. They recognize the difficulties that recipients face in finding work and the importance of increasing the demand for entry-level workers. Some states have made special efforts to locate jobs suitable for recipients such as collaborating with the business community to identify positions and specific training programs that help recipients meet potential employers' needs. They also use a variety of subsidies for businesses that hire welfare recipients directly, subsidizing wages, providing tax credits for wages paid to former recipients, and subsidizing workers' compensation and unemployment compensation taxes. Some states also target state jobs for welfare recipients.

Key Questions for States—Finding and Creating Jobs

- How many more jobs will be needed to provide opportunities to all recipients who are willing to work? How many existing jobs can be found for these recipients?
- What policies can we adopt to increase the number of jobs for welfare recipients in the public and private sectors?
- How can we create jobs in economically deprived city centers and rural areas where many recipients live?
- How can we increase the number of job opportunities for recipients who pay a family wage and provide benefits?
- How can we protect job opportunities and wages for the working poor while still finding sufficient jobs to place all willing welfare recipients?

Job Development

Many states have developed aggressive programs to locate unsubsidized jobs for welfare recipients, rather than relying only on existing job listings and the efforts of recipients themselves. Some agencies devote staff to job development, while others contract with private firms that specialize in finding jobs for recipients or other similar populations. The key question for most states is determining the amount of time and resources they can focus on this effort. Job development also can be combined with other strategies, such as subsidized jobs or tax credits.

Generally, job developers will not convince employers to create a new job, but they often can establish cooperative relations with employers so that recipients have the first opportunity to apply for specific jobs or, at least, they are considered for jobs from which they otherwise would have been turned away. Job developers can identify employers who will commit to offering jobs to welfare recipients. Developers act as a link between the program and local employers, so that employers' concerns can be addressed about participants' qualifications and the training they receive. Often, job development staff work individually with recipients to match them with jobs for which their qualifications are strongest.

States also are increasing their efforts to collaborate directly with private and public employers. By increasing the collaboration with the private sector, states are developing a comprehensive approach to job creation. Many states have formed joint business-government coalitions to develop strategies that provide recipients with the skills and training employers want. Through this collaboration, state agencies can identify the market needs of the private sector to ensure the recipients moving into the work force will match the demands of business. The Local Investment Commission in Missouri, for instance, is working toward this goal by gathering a consortium of community and business leaders to develop an alternative approach to traditional job matching conducted by social services. The result of this effort is the 21st Century Project that provides specialized training and subsidized positions for welfare recipients.

Job development efforts can help recipients find work, particularly in areas where jobs are scarce or during economic downturns when jobs are more difficult to find. One advantage is that job development efforts can be targeted in areas and during times when locating jobs is most difficult. Job development also can be particularly useful for recipients who have little work or job search experience. These participants may need help beyond what is available in structured job searches to contact and interview with employers. Lastly, job development is particularly conducive to pay-for-performance approaches to budgets or contracting. Government agencies and private contractors can be rewarded with bonuses for locating placements for recipients when recipients stay in jobs or are promoted.

One drawback to job development programs is their cost. Requiring agency staff to specialize in job development or contracting with private firms can be expensive, especially because job developers are not creating jobs but are helping place recipients in existing

jobs. One key factor states must consider is whether job developers are increasing the placement of recipients at a level sufficient to justify the additional expense. Some also argue that job developers take the primary responsibility for finding work from recipients, and this diminishes one of the central lessons in the work-to-welfare program—that recipients have to be responsible for their own lives. It also can make recipients less committed to staying in a job and does not teach them the skills that they will need to find their next jobs. Finally, job development is limited by the local economy. Although job development can help locate jobs for recipients, it cannot overcome a general lack of suitable jobs in the areas where recipients live.

Subsidized Jobs

States can promote the creation of additional jobs for welfare recipients by offering subsidies to employers who hire recipients. Subsidy programs are particularly helpful for long-term recipients who generally have the most difficulty finding employment. States have developed two primary financial incentive strategies—wage subsidies and tax credits.

Subsidized Employment—Missouri's 21st Century Project

Missouri established the 21st Century Project in the Kansas City area to provide additional jobs for recipients by providing a wage subsidy. The program pays an employer a wage supplement of \$533 per month, a subsidy of \$3.08 per hour for 40 hours per week. Employers must pay minimum wage. As in other programs, the wage subsidy is diverted from the AFDC and food stamp benefits that would have been paid to recipients.

The program quickly expanded its mission from its original subsidy design. It has developed into a collaborative project between government agencies and area businesses focused on job training, job placement, job development and case management. State agencies, including the Division of Family Services and Employment Security, work with community job placement and training organizations—the Full Employment Council and the Women's Employment Network. These organizations work together to develop new jobs for recipients, offering the wage subsidy as an incentive to employers. They also coordinate services to the recipient—education and training keyed to employers' needs. By identifying employers' skill and training needs, the program matches jobs with qualified recipients and provides additional training.

This program seeks to create long-term employment. It has developed a four-year component. In the target area, employers can receive the full subsidy for four years. Most existing subsidy programs, including those in the other areas of Kansas City, last only nine months because that was the limit on the use of federal funds in the AFDC program. The purpose of the longer period is to give recipients an opportunity to learn higher level job skills and to develop an established relationship with the employer.

The experience of the Kansas City program shows both the promise and the limits of subsidy programs. As of April 1996, the program had placed 378 people in a total of 454 subsidized jobs. (Some recipients have had more than one placement.) The average wage for these jobs is \$6.55 per hour. Employers had hired 127 participants into unsubsidized jobs so that the participants could leave welfare. However, the program has experienced substantial dropout. Of the 454 placements, 249 recipients left their jobs. Only 205 remain in the subsidized placement, a retention rate of 45 percent. Most of the recipients quit in the first month.

The AFDC program allowed states to subsidize wages for employers who hire welfare recipients by using money that would otherwise have been paid as benefits to recipients. Oregon was a leader in developing this strategy. Now, more than half the states currently have statutory provisions for these subsidies but only a few use them. Massachusetts established a program to create 2,000 subsidized positions. Employers pay participants a minimum of \$4.50 per hour. If necessary, the wages are supplemented by the state to ensure that they receive at least as much in wages as they would if they had continued to receive AFDC benefits and food stamps. Employers in the program receive subsidies of up to \$3.50 per hour for nine months and up to \$2.50 per hour for the next three months. The legislation also requires employers to pay an additional \$1 per hour into an "individual asset account" that becomes available to the participants who obtain an unsubsidized job for at least 30 hours per week or complete 12 months in the subsidized job.

Several states also have established a variety of tax credits for employers who employ AFDC recipients. Connecticut provides for an "opportunity certificate" worth a tax credit of \$1,500 to be given to welfare recipients. Recipients can use that certificate to negotiate a job with an employer or can use it themselves if they become self-employed. South Carolina grants a tax credit worth 20 percent of the wages up to \$5,000 paid to former recent AFDC recipients who remain employed for 12 months. Further, the employer qualifies for a tax credit of up to 15 percent of the first \$5,000 in the second year of employment and 10 percent in the third year. Georgia created a tax credit that seeks to encourage higher-wage jobs for AFDC recipients. If the AFDC recipient receives more than \$4 over the federal minimum wage, the employer receives a tax credit of 40 percent of the first \$7,000 paid annually to the person. If the recipient receives more than \$3 over the federal minimum wage, the employer receives a tax credit of 25 percent of the first \$7,000 in wages. Otherwise, the employer receives a tax credit of 20 percent of the first \$7,000.

Job subsidies and tax credits are promising strategies for a several reasons. First, they give employers a financial incentive to hire welfare recipients. In some cases, they may motivate employers to create additional jobs to earn the subsidies or tax credits. Second, by giving employers an incentive to work with welfare recipients, they may overcome their resistance to hiring recipients who have little work experience and low levels of education. Third, subsidized jobs can be particularly useful in areas where there are many more recipients than suitable jobs. Fourth, states need to find jobs so that they can effectively require their recipients to work and penalize recipients who are unable to find a job. Job subsidies also have stimulated more effort on the part of participants to find their own jobs. In several states, two or three recipients slated for a subsidized job find their own jobs for every one who takes a subsidized job. Finally, subsidized job programs provide an enhanced opportunity to engage employers in comprehensive welfare-to-work programs that address a range of difficulties that recipients face. Subsidies, along with training provided by the agency and the employer, can better tailor a potential employee to the employers' needs. Agencies also can use the subsidies as leverage for employers to provide support services, such as day care or transportation assistance, to help ex-recipients stay in their jobs.

Subsidized Jobs—Oregon's Jobs Plus Program

Jobs Plus was originally a six-county demonstration project begun in November 1994 to help create jobs for welfare recipients. (It was made a statewide program in 1995.) Participants were placed in training positions in businesses or public agencies. Placements were limited to six months, but could be extended for three additional months, during which participants were required to spend eight hours per week in job search. Employers had to create new jobs; they could not replace existing employees or fill an existing vacancy. These jobs had to pay at least the minimum wage. Employers were reimbursed for the minimum wage and payroll taxes.

Recipients who volunteered received first priority, but recipients also could be required to enter the program. Recipients who refused participation could be denied benefits. Participants had to have at least a high school diploma or GED. They were guaranteed to earn at least as much as they would have received in benefits. If their job paid less, they were given a supplemental payment by the state. Participants also received the full amount of child support, rather than being limited to a \$50 pass-through. After the participant had worked in a job for 30 days, the employer paid \$1 per hour of work into an individual education account (IEA). If the participant found an unsubsidized job, the IEA could be used for further education or training. If the employer hired the participant in an unsubsidized job, the state reimbursed it for one-half of its contributions to the IEA.

Program officials established implementation councils in each county to recruit employers for the program. They also sent a mass mailing to 18,000 employers in the six counties and established a toll-free telephone line so that employers could inquire about the program. Local JOBS Plus coordinators were responsible for finding participants, establishing agreements with employers, and acting as liaisons between the welfare agency, participants and employers. The program emphasized the importance of timely reimbursement for employers, because slow payments were one of the problems that led many employers to drop out of the program.

Between November 1994 and June 1996, 504 participants were placed in training positions with 455 different employers. Most of these were private businesses; about one-sixth of the jobs were in the public sector. The average hourly wage paid to JOBS Plus participants was \$5.76 and ranged from \$4.75 to \$11.57. The positions included receptionist, child care aide, dog groomer, dental assistant, driver and bank teller. Seventy percent of the positions were clerical, 10 percent service, 10 percent technical, and 10 percent maintenance or mechanical. Of the participants, 107 were hired into unsubsidized jobs, 88 by their JOBS Plus employer. The average cost per placement was approximately \$2,100.

JOBS Plus also produced added job search efforts on the part of participants. More than 1,600 recipients in the program found jobs on their own before they were placed in a JOBS Plus position. The prospect of a training position led recipients to find their own unsubsidized positions.

Despite all the benefits, states with subsidized job programs must address several concerns. First, providing employer incentives is more expensive than relying on unsubsidized jobs. Subsidies can cost from \$1,000 to \$5,000 per job per year. In areas with strong economies, it often is more cost efficient to focus efforts on job development rather than on job subsidies. Second, it is not clear how many additional jobs wage subsidies make available to recipients. Employers who take advantage of subsidies might have hired the recipient

anyway, or they might have hired a nonrecipient and the job that that person otherwise would have taken would be available for a recipient. Although states have tracked the number of subsidized jobs they have located, there are no independent evaluations that tell how many jobs would have been available without the subsidy. If employers are not expanding the jobs that are available to recipients, wage subsidies and tax credits are merely resource transfers from the welfare budget to employers. Third, employers may be unwilling to keep former recipient employees after the subsidy has ended. Success in welfare reform requires long-term employment, so subsidized jobs must provide a gateway to long-term opportunities. Welfare agencies need to ensure that employers are creating such opportunities rather than simply taking immediate advantage of the subsidized labor. Fourth, these programs tend to be small, enrolling less than 1 percent of all current participants. They must be expanded considerably to meet recipients' needs for jobs in many areas.

Self-employment—Microenterprise Programs

Several states encourage entrepreneurship and self-employment for welfare recipients. Jobs available to recipients often are limited in scope and career potential; self-employment programs seek to enable recipients to develop their own businesses. Self-employment programs contain several similar elements. First, they allow recipients to build up resources for starting a business without counting the resources toward the asset limit. Federal AFDC rules set an asset limit of \$1,000 with a \$1,500 exclusion for a vehicle. By placing money in a limited account—an individual development account (IDA)—that could be used only for starting a business or education, a recipient could build some resources. Many states obtained waivers in the AFDC program to allow IDAs up to \$5,000 or \$10,000. Most states are considering similar provisions now that they no longer need waiver approval. Some states, such as Oregon and Massachusetts, also provide cash supplements for recipients' IDAs or require employers that receive a subsidy to contribute to them. Finally, many states offer entrepreneurial training that helps participants learn business skills, identify promising business opportunities and develop business plans.

Although self-employment and micro-enterprise policies do not offer a broad solution to the need for expanded job opportunities, they do offer another option for some recipients to enter the work force. Self-employment programs tend to draw recipients who have long-term welfare histories but who also have substantial work and educational backgrounds. Many participants have previous experience with their own business. Even comprehensive programs, however, have limited success. Typically, only about one-fourth of the program participants will actually start a business. However, these former recipients are creating their own way off welfare by establishing thriving businesses that fill important market niches. They also often hire other welfare recipients.

Microenterprise Development—The Women's Self-Employment Project

Concerned about the lack of job opportunities that can help welfare recipients leave poverty, the Women's Self-Employment Project (WSEP) has focused on microenterprise as a strategy to help recipients become self-sufficient. Based in Chicago, WSEP began in 1987 with demonstration projects to help recipients start businesses. They have identified many of the barriers that face women on welfare and have worked with government agencies to develop policies that facilitate microenterprise. Microenterprise usually is an incremental strategy. Many entrepreneurs need continuing public assistance until their business grows large enough to be self-supporting. Continuing medical coverage also is a concern. WSEP worked with Illinois legislators to overcome many of the barriers to self-employment that are contained in welfare laws. The resulting Illinois legislation set up a self-employment training program that provides training in business, finances, marketing and credit applications. The program enabled participants to set up separate business accounts and accumulate up to \$5,000 in business assets without affecting their eligibility for AFDC, child care or Medicaid. It also provided careful screening of applicants to focus on those who had the motivation and skills needed to succeed in business. Later legislation also allowed recipients to keep a larger share of their earnings. Instead of losing \$1 of benefits for every \$1 earned, recipients lose only \$1 for every \$3 earned.

WSEP has helped a number of women start or expand a business and leave welfare. About one-third of program participants actually establish a business and an additional 20 percent receive additional training or education and find jobs. Among those that start their own business, two-thirds report additional family income and more than one-half earn enough to leave welfare. Three-quarters of all the businesses started remained in operation two to three years later. Many of them employ other former recipients.

WSEP is one of the many programs that demonstrate the potential of microenterprise programs targeted to welfare recipients. Although these programs are not suitable for all recipients, they provide an opportunity for women with the requisite skills and interest to start a business. They provide a special form of job creation, one where recipients create their own jobs and make their own contribution to the local economy.

Targeted State Employment

Government agencies may be directed to hire welfare recipients. South Carolina included a statutory requirement in its 1995 welfare reform legislation that requires state agencies and county welfare departments to target 10 percent of all jobs that require a high school diploma or less to welfare and food stamp recipients. Several other states have adopted programs to hire welfare recipients in particular agencies. Arkansas requires state agencies and private firms that contract with the state to target 10 percent of their entry-level jobs to welfare recipients. The federal government has indicated that it intends to develop a program to hire welfare recipients for some entry-level positions.

Targeting government jobs for welfare recipients has several advantages. First, state agencies employ large numbers of people, so there potentially could be a substantial number of positions for recipients. Government employment of recipients could be especially useful in geographic areas where there are few entry-level jobs. South Carolina's job targeting was extended in 1997 to include public schools because they are a prime

government employer in many rural areas. Government jobs also could be expanded during an economic downturn. Second, successful government hiring of recipients can set an example for the private sector to do the same. Third, agencies can directly monitor the existing qualifications recipients have and the training they receive in welfare-to-work programs. When government agencies find that the preparation and screening are inadequate, they can work directly with the responsible welfare agencies or contractors. Finally, government job programs could develop career ladders for recipients to move beyond entry-level and minimum wage jobs.

The disadvantages of targeting government jobs for recipients involve costs and the possible displacement of nonwelfare applicants or employees. Targeting government jobs for welfare recipients could be costly, both for the hiring agency and for the welfare agency, if subsidies are provided. These costs, however, are likely to be less than the subsidies needed for a private sector job. Concerns about displacement are particularly difficult. The same factors that make government jobs attractive for welfare recipients make them attractive for other applicants as well. Targeting jobs for recipients may mean that other qualified applicants would not be considered, which could generate resistance by unions and other employees. Government job programs also could produce resentment in the work place that would alienate the former recipients from the other workers and make the recipients' jobs and advancement more difficult. Particular care should be exercised when working with current employees to ensure that they understand the program and to alleviate any potential concerns that hiring recipients reduces current employees' job security. Finally, targeting jobs for welfare recipients often requires a suspension of civil service or personnel rules. A government hiring program should consider protections to prevent discrimination and the other injustices that personnel rules seek to prevent.

Community Service

States also use community service positions to supplement the jobs available in the private and public sectors. Community service positions are outside the regular job market and usually involve recipients working as a condition of continuing to receive benefits rather than for wages. Community service provides positions for participants who are unable to find paying jobs. Wisconsin's W-2 program, for instance, uses community service jobs as a supplement to subsidized and unsubsidized jobs in its effort to require all adults receiving benefits to work.

Community service jobs are structured like public or private sector jobs with clear responsibilities and expectations of work. Recipients generally work 30 hours per week and are limited to six months in most circumstances to encourage them to find subsidized and unsubsidized jobs. New York City also has emphasized community service jobs, or "workfare," in its efforts to require general assistance and AFDC recipients to work. Participants work for city departments—such as libraries and parks—that have had to cut budgets. The city has established more than 35,000 slots, although it has only recently expanded the involvement of AFDC recipients.

Community service programs can help recipients move into the regular work force. First, community service provides work experience, helping recipients understand the necessary adjustments involved in a regular job. Regular working hours, dealing with colleagues and supervisors, and focusing on completing work assignments help develop the "soft" job skills that many recipients lack. Second, recipients must "earn" their benefits through community service, which will instill a work ethic as well as contribute to their self-esteem. Third, community service work provides direct societal benefits—the work that recipients accomplish—such as cleaning parks, taking care of children or assisting nonprofit organizations. Fourth, community service work encourages recipients to find paying jobs and discourages them from depending on welfare rather than working. Finally, it may be possible to create large numbers of community service jobs at times or in places where unsubsidized or subsidized jobs are difficult to find. These positions provide a safety valve for welfare agencies that need to place a large number of recipients and meet state work participation rate requirements.

As with the other strategies, there are several potential limits to the community service programs. First, they cost money. Even though community service workers do not receive wages, they do continue to receive their benefits. Also, the costs of locating and administering community service jobs can average between \$2,000 and \$4,000 per year for each position. Second, community service jobs often do not involve meaningful work. Some programs have created make-work jobs that require work effort but do not teach recipients any job skills and that undermine the work ethic. Recipients see the jobs as punishment, rather than as work. Third, community service programs can displace wage employment, particularly where cuts already have reduced the number of government employees and recipients do work similar to that of the work former employees. Most existing programs are relatively small and difficult questions are involved in increasing the scale of these programs substantially—particularly in finding meaningful jobs that do not displace other workers. This can generate resentment among regular employees and reduce the integrating effects of community service work. Fourth, there is little evidence that existing community service programs lead to regular employment. Community service placements therefore can create a trap. Recipients placed in community service to meet work participation rate requirements may be using their time limits without improving their chances to find work that would support their families. Programs need to focus on improving their efforts to help recipients prepare for paying work.

Conclusion

States have a long way to go to create needed jobs. A successful transformation to a work-based welfare system requires that states find or create approximately 2 million new job placements within the next five years. States will have to develop a variety of strategies to meet this challenge. Most of these positions must be regular jobs through which recipients can support families. Clearly, most jobs must be those that already are available or for which the demand will increase because of the increased supply of low-wage labor. Although it is difficult to estimate precisely how many jobs will have to be created nationwide, in many areas it could be enough for 5 percent to 10 percent of adult

recipients. Wage subsidy and tax credit programs show some promise for supplementing available jobs. These programs, however, may have to be expanded to help states meet the new federal work participation requirements. Currently, most programs enroll less than 1 percent of the adult caseload, and many areas do not have programs. Microenterprise programs can help recipients create their own jobs. Targeted government jobs can help on a larger scale, particularly in areas where there are few private employers. Community service provides a safety valve when recipients need to participate in a work activity but cannot find a job. With time limits, however, states must emphasize the development of jobs that pay wages and provide benefits that can support a family.

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3. PREPARING RECIPIENTS FOR WORK

Preparing welfare recipients for work involves teaching them the skills and providing the support services needed to obtain employment and succeed in the workplace. Although many recipients will be able to find jobs on their own and leave welfare permanently—as many always have—others will need assistance to become “job ready.” In areas of high unemployment or those with more disadvantaged caseloads, a greater number of recipients may need more than just job search assistance.

This chapter discusses several strategies for preparing welfare recipients for employment. They include assessment, support services, job readiness or job club, education, vocational training, work experience in the public sector, work experience in the private sector and strategies for assisting the hard to serve. These are not intended to be independent alternatives; most programs will use a combination of strategies to meet the needs of a diverse welfare population.

Program Strategies

Assessment

Assessments serve a number of purposes. They can determine individuals’ education, skill levels and competencies; their interests and inclinations; and their barriers to employment. Both research and program experiences suggest that it is difficult to predict in advance who will and will not get a job. Although those who do not find work may be more likely to face multiple barriers—such as lack of high school diploma, little work experience, or personal and family problems—other recipients with the same barriers will succeed in employment. And many of those who appear employable will have difficulty finding jobs. Many welfare-to-work programs therefore have moved away from intensive up-front assessments. Instead, they begin with job search for most recipients and let the labor market itself determine who is job-ready. Assessments can be used later if the recipient cannot find work.

Even for programs that postpone in-depth assessment, a brief initial assessment is conducted to discover and address any immediate barriers to program participation, as well as to make

by Amy Brown

sure that child care, transportation and other supports are in place. In addition, for those who do not find a job immediately, the in-depth assessment often is limited to producing information that will be useful to both the participant and program staff in determining the next step within the scope of the program. The outcome of the in-depth assessment generally is a plan for next steps, including specific activities to address barriers and prepare recipients for employment.

Key Questions for States

- How will we determine who is "job ready" and what services we will provide to those who are not?
- To what extent will we allow participation in education and training activities? How can we shift the focus of these activities to be more closely tied to employment?
- Is our program flexible enough to meet the needs of a diverse caseload? Are there services available for "hard-to-serve" recipients—those with difficult or multiple barriers to employment?
- How can we involve employers and business groups in preparing welfare recipients for work and supporting their transition to work?
- Are there services in place to support welfare recipients after they move to work to increase retention and sustained employment? How can we help welfare recipients who take low-wage or part-time jobs to increase their skills and move to better jobs?
- How will our program assist individuals who reach a welfare time limit and still are unable to find jobs?

Support Services

Preparing welfare recipients for work also means ensuring that the support services needed for employment are in place. Single mothers with children—who make up the vast majority of families on welfare—will find it difficult to go to work without stable and affordable child care, transportation arrangements and medical coverage. Others need help overcoming personal issues, such as low self-esteem, substance abuse or health problems. For many recipients, these supports will be needed before they will be job ready.

Although most programs provide assistance in these areas—or are able to refer welfare recipients to community-based resources for assistance—they often are underused because recipients are not aware of them or need help taking the steps required to access them. An important role of program staff is to clearly communicate the availability and facilitate the provision of support services to participants. To do this effectively, staff themselves need training to know what benefits are available, how they work, and how to explain them to recipients. Several states, including Nebraska and Iowa, focus on support services as part of their mutual responsibility contracts with recipients. Staff also may need training about how to identify and discuss with recipients' difficult issues like domestic violence and substance abuse. In addition, simplifying and streamlining the administration of support services—especially as they shift from in-program benefits to transitional benefits and beyond—can help improve their usefulness as supports for work.

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The same is true for other supports that may be available outside the welfare system to welfare recipients or former recipients. These can range from mentoring programs that maybe available in the community to the Earned Income Tax Credit.

Guidelines for Effective Job Clubs

- **Combine classroom instruction with actual job search.** This way, participants put the skills they learn into practice immediately.
- **Teach practical job search skills.** Job search skills include how to find job leads, how to complete applications, how to conduct an interview, how to prepare a résumé, and how to identify and market your strengths and talents. Hands-on techniques are most effective, such as filling out sample applications and practicing mock interviews.
- **Have a well-equipped phone room.** A phone room—supervised and equipped with phone books, newspapers and job leads—allows participants to apply the skills they learn by calling employers, learning about openings and arranging interviews.
- **Treat the job club like a job.** Attendance requirements, a dress code and group activities can acclimate participants to the world of work.
- **Encourage participants to make numerous job contacts.** At entry level, finding a job largely depends upon participants making as many contacts and applying for as many positions as possible.
- **Motivate participants.** Helping participants identify their strengths can increase motivation and self-esteem and help them identify job opportunities. An enthusiastic instructor and group activities also can increase participant motivation.
- **Help participants learn from each other and from their experiences.** The group dynamics of a job club is one of its strongest assets. Encourage participants to share job leads, talk about interview and employment experiences, and support each other as they look for work.
- **Hire an engaging instructor.** More than any other program staff member, the job club instructor needs to be outgoing, motivating, able to engage participants and skilled in group facilitation. Hiring an instructor with personal experience on welfare (in addition to other qualifications) can work especially well.
- **Celebrate success.** Publicly recognize the achievements of participants, from arranging job interviews to getting a job (for example, many offices post photos of program graduates in public waiting areas). In addition to providing positive reinforcement, publicizing success can encourage and inspire other participants.

Job Readiness and Job Club

Many recipients have little or no work experience. They often do not know what working involves. Job readiness activities are designed to address self-esteem and motivation, and to teach recipients the soft skills needed to succeed in the workplace. Those skills include punctuality; reliability; appropriate dress and behavior; the ability to get along with supervisors, coworkers and customers; conflict resolution; and general problem-solving skills. Many programs teach these skills in a classroom setting using curricula that include self-reflection, role-playing and goal-setting activities. Attendance requirements, dress codes and behavior expectations also are used to begin to put these skills into practice. Some programs include field trips to local businesses or inviting employers to come and speak with welfare recipients about opportunities for employment in their industries and the qualities they expect from—and value in—employees.

Often, job readiness activities are combined with teaching job search skills in the context of a job club. A week of job readiness may be followed by a week of job search, or job readiness activities may be integrated into the classroom segment of a job club. In fact, the strongest job clubs combine job readiness and job search skills with job search. Strong research evidence suggests that this type of job club is effective in helping welfare recipients move to employment.

Comparing Two Approaches to Welfare-to-Work

The National Evaluation of Welfare-to-Work Strategies includes a head-to-head comparison in three sites—Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California—of programs that emphasize human capital development (HCD) and labor force attachment (LFA). Although all the programs are multi-dimensional and the programs vary across the sites, the former tend to promote education and training before recipients enter the labor market, whereas the latter tend to promote a “work first” approach of quick labor market entry. The two present opposing views of how best to promote employment and self-sufficiency among welfare recipients.

At this point in the evaluation, results are available from following participants for two years after they were randomly assigned to one of the two approaches (additional participants were assigned to control groups so that the effectiveness of each approach could be measured). The findings show that both approaches, in all three sites, decreased the proportion of individuals who remained continuously on welfare for two years. The two-year findings also show that the HCD programs made a difference in terms of participants earning education credentials—most often high school diplomas or GEDs or, in some cases, training certificates. However, in the first two years, those credentials did not translate into increased rates of employment or increased earnings for HCD program participants.

Effects on employment and earnings generally were smaller for HCD program participants than for LFA program participants within each site. It may be expected that HCD effects would take longer to surface because participants postponed labor market entry to further their education. However, while HCD effects did increase somewhat in relation to LFA effects in the second-year employment and earnings, effects for LFA participants were still greater than for HCD participants at the end of the second year of follow-up. Additional follow-up is needed to determine whether HCD participants eventually find higher-paying or longer-lasting jobs, and whether LFA participants are able to sustain employment and work their way up the job ladder.

Education

Low reading and math skills, as well as lack of a high school diploma, can make it difficult for many recipients to find employment. Although many programs have shifted the emphasis away from up-front education to a "work first" philosophy of quick employment, most still allow at least some opportunities for recipients to further their education. Those opportunities may fall into some or all of the following categories: adult basic education (ABE), high school completion or preparation for the GED (high school equivalency) test, English as a second language (ESL), and post-secondary education.

Although educational limitations do not automatically mean that a welfare recipient will be unable to find a job (and many welfare recipients would prefer assistance that is directly linked to getting a job), educational activities can improve recipients' skills and qualifications, expand their employment opportunities (and potential for earning higher earnings), and increase their self-esteem. Most welfare-to-work programs emphasize short-term programs and may limit education to those who are close to achieving a credential or who complete job search without finding a job.

Shifting the Focus of Basic Education in Los Angeles

When Los Angeles's welfare-to-work program (called Greater Avenues for Independence, or GAIN) shifted to a work first approach, it went from a program that largely emphasized education to one focused on quick employment. Rather than eliminate all education activities, however, GAIN administrators worked with the education community to make their services more relevant to the new program focus.

The change was initiated mainly in contract negotiations. GAIN administrators not only encouraged schools to focus on completion rates and shortening the duration of education, but also informed school administrators of the reasons for the changes and encouraged them to support the new quick employment focus of the GAIN program.

The result has been a clear shift in the nature of education activities. The most direct effect has been a reduction in the time GAIN participants spend in basic education—often no longer than six months. In addition, participants who are not progressing are removed from education activities. Furthermore, the schools have shifted the content of their classes to make them more employment focused. In many cases, educators added life skills and work skills to the regular curriculum. For example, ESL classes may insert more work-related vocabulary words into their lessons; ABE and GED classes often include typing tutorials and basic computer skills training; posters on the walls often contain work-related information; and several schools have expanded the available class hours so that students will find it easier to work part-time while attending school. Some schools have even added job resource rooms, and work to place participants in jobs as they complete their education.

The main challenge of education activities in welfare-to-work programs is making sure that they are closely tied to the goal of employment. Programs have responded to this challenge with the following strategies.

- Closely monitoring education activities and reassigning individuals who are not attending regularly or making progress.
- Using short-term programs and programs that integrate education with skills training, have high completion rates, and prepare students for fields with a significant number of job openings. Florida and Oregon have contracted with their community colleges to develop programs focused on these jobs.
- Encouraging participants to combine education with employment, either by allowing participants to meet program requirements with a combination of school and work-study or part-time work, or by coordinating with education providers to offer classes in the evenings or flexible hours for those who work. New Jersey's recent welfare reforms allow recipients to combine work with school to meet their participation requirement.
- Using performance-based contracting to focus education providers on outcomes. In Los Angeles, for example, a shift to performance-based contracts changed the focus of basic education providers.
- Providing opportunities for individuals who have left welfare for work to further their education so that they can move to better jobs, by working with community colleges to offer more evening classes and by subsidizing tuition and after-hour child care costs for former recipients.

Vocational Training

Vocational training can offer relatively short-term work preparation that is directly related to the labor market. Training programs have the potential both to help recipients who cannot find jobs become job ready and to help those who may be able to find low-paying jobs improve their earnings and chances of self-sufficiency. However, like education activities, training programs need to be carefully designed and closely geared to the labor market to be effective routes to employment. In addition, many training programs require a high school diploma or other credentials to enroll, putting them out of reach for some of the welfare recipients who most need training.

The Center for Employment Training (CET) in San Jose, California, is one training program that has been shown to be effective. CET does not require participants to have a high school diploma and includes many of the principles outlined. Another approach is to coordinate with employers or industry intermediaries that provide their own training, to streamline referrals and provide support services to recipients once they are involved in the training.

To maximize the effectiveness of training as a route to employment, successful programs emphasize close links to the labor market and to employers. Close ties to industry signal that the training program is up-to-date in terms of the job market and the skills needed to succeed in jobs, and also mean that instructors can use their contacts to develop jobs for program graduates. The following principles also apply.

- Shorter training programs—those that can be completed in six months or less—mean quicker entry into the labor market (they also are less expensive).
- Training programs that admit students continuously or start new classes frequently reduce the time that welfare recipients must wait to begin the training activities.
- Training programs that simulate a work environment—in terms of hours, skills and expectations—teach participants basic work habits as well as job skills.
- Programs without entry requirements (such as a high school diploma or GED) will be able to serve a broader segment of the welfare caseload. Some programs integrate basic skills with training, addressing any educational weaknesses in terms of the skills needed in the particular occupation.
- Programs with strong job placement records can help ensure that participants who complete training become employed. Many welfare-to-work programs are instituting performance-based contracts that hold training programs accountable for job placement. Some programs offer reemployment assistance to graduates who lose their first job.

The Center for Employment Training (CET)

The Center for Employment Training (CET) in San Jose, California, is one of the few training programs that has demonstrated a positive effect on employment and earnings. CET is a short-term training model that serves both welfare recipients and individuals who do not receive welfare, including dislocated farm workers and out-of-school youth. The program operates on an open-entry/open-exit schedule, so participants can enter at any time and advance at their own pace. Participants graduate when they are placed in a job. CET also is unusual in that it does not require participants to have a high school diploma.

CET's success is largely attributed to its strong employment focus and ties to industry. These ties take the form of advisory committees, staff outreach and instructors who are hired from industry. By establishing industry ties, CET ensures that its training meets employer needs and remains up-to-date. The relationships with employers then can also be used for job placement. CET works with participants until they are placed in jobs, and will provide replacement assistance to former participants who lose a job. One of the most fundamental elements of CET is the view that the goal is a paycheck, not a certificate.

CET also integrates vocational skills training with basic education and preparation in the soft skills that are needed on the job. Participation in the program is very much like work. In this way, participants not only learn job-related skills, but they are introduced to a work place environment. In addition, basic education is integrated into the training curriculum, so that participants learn English and math in the context in which they will be used on the job.

Work Experience in the Public Sector

For some welfare recipients, a lack of work history is their primary barrier to employment. Work experience programs (also called community service employment or workfare) can be used to build that history. Used selectively and designed carefully, work experience programs can give participants skills and experience to include in a resume, teach basic work habits and acclimate participants to the work environment.

Participants in work experience programs generally work in unpaid jobs for public and nonprofit employers. The jobs usually are structured so that participants work a fixed number of hours per week or the number of hours equivalent to their welfare grant divided by the minimum wage. New York City has a large work experience program in which recipients of general assistance and TANF are required to participate in exchange for their benefits. Some states, such as Vermont, have structured work experience so that participants receive paychecks rather than welfare checks. Several other states, including South Carolina and Wisconsin, have instituted pay-for-performance that requires recipients to meet minimum hour requirements to receive their full benefit checks.

Work experience programs can be expensive and difficult to administer, and the experience of past programs suggests that they do not necessarily lead to permanent employment. Some programs use work experience less as a transition to employment than as a way to establish a mutual obligation for welfare recipients in exchange for their benefits. Others are testing the following strategies to attempt to ensure that work experience positions translate into real jobs.

- Spending extra effort in developing work slots to ensure that participants will learn marketable skills and fill the gaps in their strengths and experience.
- Time-limiting work assignments (from three to 12 months) and following them with job search.
- Combining work experience with education or training activities.
- Using techniques such as close supervision, peer support and job development to help participants make the transition into unsubsidized employment.
- Maintaining close contact with both participants and supervisors to monitor job progress, and then address any problems that might jeopardize unsubsidized employment.

Work Experience in the Private Sector

Most states also partner with private sector employers to give welfare recipients real world work experience. Advocates of private sector work experience believe that the positions not only prepare welfare recipients for jobs, but also create opportunities for permanent employment. These programs can be structured in a number of ways.

- Subsidized employment (also called work supplementation or grant diversion) is the most common approach. Participants work in real jobs and receive a paycheck (and are eligible for the Earned Income Tax Credit). Employers then are subsidized for a portion of wages or training costs. Funding for the employer subsidies generally comes from welfare benefits (sometimes including food stamps) that would have gone to the participant. Oregon's Jobs Plus program is the largest subsidized employment program operated by a state.
- Tax credits are offered by some states (and the federal government) to employers who hire welfare recipients. Similar to subsidies, these are intended to encourage employers to hire recipients. To limit costs and avoid employer windfall, tax credits may be targeted to long-term welfare recipients.
- Temporary employment is an option that is being explored by several states. Working with for-profit or nonprofit temporary staffing agencies, temporary positions enable recipients to build work experience in real jobs, while minimizing the risk-and liability-to the employer. Proponents of this approach suggest that temporary agencies may be more willing to test employees with limited skills or work history, and that, once in temporary positions, recipients will have greater access to permanent jobs.
- Trial jobs-time-limited, unpaid work experience in the private sector-is another new approach with which some states are beginning to experiment. Welfare recipients work for private sector employers but are not paid; instead, they continue to receive welfare benefits. These generally are short-term assignments with the expectation that successful employees will be hired permanently. At the same time as they provide work experience for recipients, trial jobs give employers a chance to test recipients as potential employees without the risk or liability associated with regular hires.

The danger in all these strategies is that employers might receive a windfall for hiring individuals they would have hired anyway. In addition, in some cases the arrangement actually may act as a disincentive for hiring by stigmatizing welfare recipients and suggesting that employers are hiring less-than-qualified workers. The former problem can be addressed by limiting private-sector work experience opportunities to welfare recipients who have been unsuccessful in job search, by time-limiting subsidies, and by establishing safeguards to ensure that the positions are not displacing permanent workers. The second needs to be addressed with careful marketing that promotes the advantages of participating without overpromising, and good matching of recipients to jobs to increase the chances of a successful experience. Programs also can help participants make the transition to permanent jobs by providing post-placement supports and asking employers to commit themselves to retaining successful employees.

Opportunities for Private-Sector Partnerships

States are developing a number of approaches for partnering with the private sector in preparing welfare recipients for work. Some of those are listed below.

- Using tax credits, subsidized employment and trial periods to encourage employers to hire and train welfare recipients.
- Using temporary staffing agencies to place welfare recipients in jobs and help them build work-related skills.
- Involving employers in the design of job readiness, education and training curricula to ensure that participants learn the skills they will need on the job.
- Inviting employers to visit job preparation activities to see firsthand what the programs are doing and to provide information and advice to welfare recipients.
- Streamlining processes to refer welfare recipients to employers' own training programs.
- Forming relationships with employers to hire welfare recipients who successfully complete job preparation activities and demonstrate agreed-upon skill levels.

In general, private-sector partnerships can ensure that job preparation activities teach welfare recipients the skills they will really need on the job, and create relationships that can be used for the placement of job-ready recipients. The challenge of private-sector partnerships is to find ways to create additional employment opportunities for welfare recipients, rather than simply facilitating hiring that would otherwise have occurred or subsidizing employers for hiring decisions they otherwise would have made.

Strategies for Assisting the Hard to Serve

Those welfare recipients who have the most barriers to employment may need more extensive services and supports than the strategies listed above. As welfare caseloads decline and states expand participation in welfare-to-work programs, several states are finding that more of the recipients they now work with are hard to serve. These individuals may face multiple issues such as lack of skills or work history, substance abuse, domestic violence, health or mental health issues, or difficult family problems. Although some of these recipients will be exempted from work requirements and time limits, many will not. Some states have designed special strategies for assisting these recipients and preparing them for work.

It is difficult to determine ahead of time who will be hard to serve. Program staff may not become aware of personal or family problems until participation problems arise. In addition, many recipients who face what appear to be serious barriers to employment will successfully find jobs. Therefore, most programs begin with the expectation that every recipient can succeed, and use the following strategies to address issues as they arise.

- Flexible participation requirements. Some welfare recipients may not be able to participate in work activities for the full number of required hours, or may need to begin with alternative activities such as counseling or volunteer work. Some states allow staff to design flexible employment plans for certain recipients so that they can begin where they are able and increase participation over time.
- Specially trained staff. Utah, for example, hired specialized case managers with master's degrees in social work to assist staff in working with hard-to-serve recipients and provide personalized counseling and support to those recipients.
- Use of community supports. Most programs have resource lists available so that welfare recipients and program staff can access community-based services that can help recipients overcome barriers to employment. In some cases, staff directly refers recipients to community services and follow-up with providers to monitor the recipient's progress.

Project Match

Project Match is a welfare-to-work program that has operated since 1985 in the Cabrini-Green neighborhood of Chicago. Project Match developed a unique vision of the welfare-to-work process, in which individuals can start at different points and move along different paths to self-sufficiency. The paths involve steps of increasing time commitment and responsibility in five areas: activities with children, volunteer work, membership in organizations, education and training, and employment (including community service jobs, subsidized employment and, finally, part-time and full-time unsubsidized employment). All are considered useful and legitimate activities that provide self-confidence, experience and skills in the welfare-to-work process.

For example, a participant might begin by simply taking her child regularly to the library, then begin volunteering at the library or somewhere else. As she gains self-confidence and skills, she might move on to education or training and later to a full-time job. Another participant might begin with part-time work, then lose that job and spend time in a community-service job before returning, better prepared, to the work force. The Project Match model allows participants to move up, down and sideways as needed on the path to self-sufficiency.

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Post-Employment Services: America Works

America Works is a private, performance-based company that places welfare recipients in private and public sector jobs. It works with business and government to determine specific staffing and employment needs. Then, interviews are set up with selected America Works participants who appear to match employer needs. Employers then have final selection of their placement. After employers make a selection, a recipient is placed with that employer for a four-month trial period. During this time, America Works pays a participant's salary (to be billed to the employer) and worker's compensation and unemployment claims. If an employer decides hire the placement full time, America Works collects its placement fee of around \$5,000. For government placements, the recipient must remain employed for six months before America Works can collect a fee. Most placement positions are entry level positions, including administrative and secretarial, service, retail and factory jobs ranging in salary from \$15,000 to \$18,000 per year. Private employers can receive a tax credit for placing recipients in long-term employment.

Because payment for services depends on participants' keeping their jobs, America Works dedicates much of its effort to post-placement services. It conducts intensive case management with clients after they are placed in an employment position. A typical caseworker will handle about 20 to 30 cases—considerably less than traditional human service caseworkers. These smaller caseloads allow workers to work with individual clients and provide more intensive case management. Caseworkers make weekly visits to their placements during the four-month trial period. These visits are designed to help recipients ease into the work force and address potential problems or problems that arise—such as co-worker disputes or learning to work under a supervisor. One caseworker even helped his client obtain a restraining order against an abusive boyfriend who attacked her after she started working.

The extra effort appears to be working. Retention rates for America Works participants are approximately 70 percent after two years. This is substantially higher than the 8.6 percent retention rate experienced by traditional employment services.

Although the initial cost per placement is higher than the cost of traditional training programs, it proves substantially more cost effective over time. Traditional approaches are not focused on retention, but on placement, and can cost around \$2,600. Only 8.6 percent of these individuals are able to retain employment and leave assistance rolls, costing more money everytime they receive placement services. Because America Works' retention rate is so high, the cost of most placements is a one-time expense. A recent study found that America Works was four times more cost-effective than traditional contracting strategies.

If states are to succeed in keeping recipient of the rolls, they will have to develop a post-employment strategy to help recipients retain employment.

Florida's Performance-Based Training

Florida's Performance-Based Incentive Funding (PBIF) program was enacted in 1994 as part of the Enterprise Florida program. It uses financial incentives to focus post-secondary vocational education programs on training disadvantaged individuals for high-wage, available, full-time jobs and then placing them in those jobs. PBIF operates statewide and is available on a voluntary basis to community colleges and school districts. The program was designed to:

- Redirect resources from training for low-wage, dead-end jobs to training for high-wage, high-growth jobs.
- Reduce public assistance through the recruitment, training and placement of individuals from targeted disadvantaged populations.
- Reward programs for their performance measured by student outcomes of program completion and job placement.

The first level of PBIF is occupational forecasting, which is used to identify jobs that meet criteria for wage levels and number of annual openings. Participating programs then receive incentive funding for individuals who complete training in those fields and additional funds for individuals who are placed in jobs in those fields. Incentives are doubled for welfare recipients and members of other targeted groups. The incentive funds then must be used by school districts or community colleges to improve their vocational programs.

Almost all Florida's community colleges and vocational technical centers participate in PBIF. More than 20,000 students completed training in 1995-96 and more than 16,000 of those were placed in the PBIF-targeted occupation. Enrollment of welfare recipients has been more limited: 466 welfare recipients completed training in 1995-96, and 240 of those were placed in PBIF-targeted occupations. Several community colleges are adapting their programs to recruit more welfare recipients and improve their results.

Conclusion

There is no one way to prepare welfare recipients for employment. Many will be able to obtain jobs with little assistance beyond job search; others will need more in-depth services. The key point to remember is that welfare recipients are a diverse group, who face a variety of barriers to employment but who also have a variety of skills and strengths upon which to draw. Welfare-to-work programs need to be flexible enough to meet individual needs and creative enough to build on individual strengths. It also is important to be realistic about what a welfare-to-work program can accomplish. The goal is not to assess and resolve all a recipient's problems, but to identify those issues that are short-term barriers to employment and to help recipients overcome them so they can enter the work force.

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4. CHILD CARE

Across the nation, studies have identified child care as a critical factor in helping families leave and stay off welfare. A recent U.S. General Accounting Office report noted that affordable child care is a decisive factor that encourages low-income mothers to seek and keep jobs. It reported that "any effort to move more low-income mothers from welfare to work will need to take into account the importance of child care subsidies to the likelihood of success."¹

In the wake of major changes in the 1996 federal welfare law that gives states more flexibility, legislators, governors and state executive branch administrators throughout the country have established child care policies that affect services for families that are working toward self-sufficiency. This chapter focuses on key issues relating to state systems of funding child care services for welfare recipients and children from low-income families. These issues have important implications for affordability, access and quality. State legislators have been at the forefront of many of these policy decisions, which involve levels of funding, sources and allocations.

Three fundamental policies are discussed in this section:

- Eligibility—who is served.
- Copayment (sliding fee scales)—what a parent contributes to the cost.
- Reimbursement rates and mechanisms—what and how the state pays providers.

Families that are affected by these decisions include welfare recipients; former welfare recipients in jobs, training or education; and other low-income or moderate-income working families. The new federal and state work participation requirements and earlier state laws contribute to a critical legislative dilemma about serving these families—development of a system that incorporates both short- and long-term goals. First, states are responsible for providing care to families on welfare that enables them to meet work requirements and achieve self-sufficiency. Second, states are developing policies that provide child care assistance to working poor families that may need it to sustain work and stay off welfare. Decisions about funding a child care assistance system for low-income families also have key effects on the quality of care, which have important implications for child outcomes.

by Scott Groginsky

It is now clear that child care must meet children's cognitive and emotional needs, as well as safeguard their physical well-being. Many child care settings, however, fail to provide young children with the relationships, activities and environment necessary for adequate levels of learning and development. This can be especially true for children whose families are poor or on welfare. The lack of good early care and education carries heavy long-term social costs in the form of higher crime rates, increases in social services spending, and reduced productivity on the part of both working parents and future generations.² Moreover, scientific researchers have discovered more about how learning begins at birth and that very young children need stimulating interaction with responsive, attentive caregivers in order to forge the neural connections that are critical to success throughout life.³ Through funding policies, state legislators have an opportunity to improve the quality of child care and early education services for young children from families on welfare or with low incomes, which will have long-term positive effects on these children's futures.

Key Questions for States

In establishing child care policies for low-income families, legislators may want to address the following questions:

- Which families should receive child care assistance?
- Should the state require a subsidized family to contribute to the cost of child care services?
- If so, how much should the parent fee be and how should the state determine that amount?
- What percentage of the cost of care should the state reimburse a child care provider?
- How should the state reimburse child care providers?
- What are the sources of funds available to states for child care assistance?

Eligibility

The new federal welfare law eliminates separate child care funding categories that previously were based on a family's welfare status. Now, the federal government awards states the Child Care and Development Block Grant (CCDBG), along with the authority to decide who can receive subsidized care. In examining the child care funding system, it is important that state legislators consider the tradeoffs between who is eligible for child care assistance, how much a parent pays in copayment fees and how much money the state will reimburse child care providers for serving eligible children.

Under the previous Aid to Families with Dependent Children (AFDC) system, child care for families on welfare was an entitlement, so states were required by federal law to provide such assistance. Under the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), no family has a child care entitlement and states are taking new approaches to assure child care to groups of low- or moderate-income families, whether or not they receive Temporary Assistance to Needy Families (TANF). About half the states guarantee subsidized care to welfare families.⁴ Several states also provide funds to pay for child care for other low-income families relative to a designated percentage of either the federal poverty level (FPL)—currently \$13,330 for a family of three—or the state median income (SMI).

- Illinois provided sufficient funds in 1997 to serve families below 50 percent of SMI (\$21,819 gross per year for a family of three, or about 165 percent of the FPL).
- Wisconsin raised its overall funds to assure child care services to working families with incomes below 165 percent of the FPL (\$21,995 per year for a family of three). The state increased its child care resources largely by adding more than \$80 million from its FY 1998 federal welfare allocations.
- Vermont provides child care subsidies to families with incomes below 80 percent of SMI (\$28,642 per year for a family of four). Since 1995, the legislature has prohibited the state from denying services to eligible children on the fee scale program without first returning to the legislature with a budget adjustment request. This has resulted in no waiting lists for eligible families.

State policymakers who have adopted this strategy either targeted a population and set a funding level to serve it or decided how much funding was available and determined who could be served with those funds. States that funded all income-eligible families tended to increase their child care appropriations or direct other funds to child care. Families within the eligibility range in these states are assured of receiving child care services during that fiscal year, rather than being placed on a waiting list.

To make this commitment, states face conflicting issues, such as setting levels of income eligibility, provider reimbursement and parent copayment. To stretch resources to reach more families, administrators in some states that extended the income eligibility ceiling also raised parent fees. As fiscal or economic conditions change, a state may regularly reconsider specific funding and eligibility levels.

A number of states have prioritized populations for eligibility and some prioritize waiting lists so that families with incomes at the lower levels receive child care services first. Examples of priority populations for child care eligibility set by states include:

- Families on welfare or making the transition from welfare to work.
- Families with lower incomes (Arizona, Nebraska, New Hampshire).
- Younger parents and those finishing school (Iowa).
- Children with disabilities (Massachusetts, Tennessee).⁵

This policy limits who is served, but allows the state to focus on the families that policymakers decide have the greatest need. This nonentitlement approach also allows flexibility should changes occur in state budget projections. Some states emphasize child care for families on welfare or for those that had been on welfare but earned just enough to become ineligible. Although this policy may help a state avoid penalties for failing to meet work requirements, other low-income families that are excluded from eligibility often are placed on waiting lists and may have to turn to welfare if sufficient child care assistance is not available.

Iowa's Priority Populations for Child Care

In July 1997, Iowa made the first priority for child care eligibility those who earn at or below 125 percent of FPL (\$16,663 per year for a family of three) who are employed 30 hours per week, and targeted three other populations for child care services in descending order of priority:

- Adolescent parents who are pursuing a diploma or GED;
- Parents under age 21 in post-secondary education or vocational training; and
- Parents with special needs children at 155 percent of FPL (\$20,662 per year for a family of three).

With significant funding increases during the past two years, state officials anticipate no child care waiting list for these populations. Iowa was one of the first states to extend child care coverage to families that became ineligible because of increased earnings and to establish a family investment plan for welfare recipients. Through these changes, Iowa's system has produced in a 15 percent increase in the number of participants with earnings in its first two years; however, this number has leveled off during the last two years.⁶

Exempting Welfare Families with Infants from Work Requirements

Under the federal welfare law, states have the option to exempt TANF families from work participation requirements if their child is under age 1. This option may be attractive to states for several reasons.

- Infant care usually is more expensive than care for older children;
- Good infant care has been found to be less available than care for older children;⁷ and
- Many believe that infants benefit from being at home with a parent.

State examples

- At least 20 states and the District of Columbia plan to or will exempt families with a child younger than 12 months from work requirements.
- At the opposite end of the range, at least 10 states plan to require parents to work after their child is 12 weeks old or face sanctions in their welfare grants.⁸
- Two other states, Nebraska and Montana, plan to require families to work after the child is 6 months old and in one state, Virginia, the work requirement takes effect when the child reaches 18 months.⁹ Nebraska requires part-time work when the child is 12 weeks old.

States that choose this option can ease the burden for low-income families to find jobs and child care. Yet, because of the federal time limit, states have an incentive to help parents

quickly gain as much training and experience as possible to assist them in moving toward self-sufficiency.

State Flexibility on Sanctions for Welfare Families with a Child under Age 6

States are prohibited from sanctioning nonworking welfare families with a child under age 6 if parents cannot locate child care that is reasonably close, affordable, suitable and appropriate. States can define these terms broadly, thereby further reducing the burden on child care supply, but these families still face a five-year lifetime limit on welfare benefits, so states continue to have an incentive to foster job creation and child care.

Federal and State Child Care Tax Credits

Twenty-five states and the District of Columbia have child care income tax provisions. Through these provisions, states recognize the work-related expenses of families that need child care. In addition, families that have child care expenses can claim the federal child care tax credit against federal taxes owed. The credit claimed is equal to a percentage of their employment-related expenditures for any form of child care. Limits are \$2,400 for one child and \$4,800 for two or more children. Families in lower income levels are less likely to be able to claim the credit because they may lack tax liability and may not be able to spend to the limit of the allowable expenses. Child advocates recommend ways to use tax provisions to benefit low-income families, including:

- Offer a credit instead of a deduction;
- Make the credit refundable;
- Use sliding fee scales that favor low-income families; and
- Place the credit on the short tax form.¹⁰

Copayments (Sliding Fee Scales)

States are required to establish a parent fee structure and have flexibility to design it, including deciding which families pay how much of a copayment and the methods to determine the copayment. These policies have significant implications for low-income families' ability to afford child care and achieve self-sufficiency.

Under the previous child care sliding fee scale system, states also had flexibility but were required to collect a copayment from families that were making the transition from welfare and were prohibited from requiring a fee from welfare recipients. Now, families that receive welfare no longer are exempt from a copayment so states are specifying this policy, including maintaining the copayment exemption or adding a copayment requirement. The new federal child care system has prompted states to reexamine key issues regarding their fee scales, such as deciding what percentage of income a low-income family should pay for child care. States typically establish copayments on a sliding fee scale so that those with the lowest incomes pay a smaller percentage of their incomes for child care.

Determining the Method for a Copayment

State policymakers typically choose from among four factors to decide the sliding fee structure:

1. Family income;
2. Welfare status;
3. Family size; and
4. Cost of care.

In considering changes to their sliding fee scales, state legislators face policy questions and may have to balance several conflicting demands.

- **On what percentage of a family's income should copayments be based?** In deciding levels, legislators, governors and administrators in some states examine total available resources; some state decisionmakers examine what parent contribution is affordable; and some balance a family's ability to pay with available funding. Federal law requires states to allow families that receive a child care subsidy to have the same access to care as do unsubsidized families. The percentage of income that a family must spend on child care is an element of equal access.¹¹
- **Should all families pay something or should some families be exempt from a copayment?** Policymakers who are examining this question balance affordability with a policy of shared responsibility for costs.
- **Should the copayment be connected with the cost of care that a parent chooses or be based solely on a family's income, size or numbers of children in care?** Because lower-cost care often means lower-quality care, legislators and other stakeholders have considered whether copayments based on cost of care promote worse care for low-income families.

Income Levels: Deciding Who Pays what Fee for Child Care

A common state approach to deciding parent fees is developing an income-based scale. Although most options existed before the recent federal welfare law was enacted, states took several different approaches in 1997:

- Limiting copayments to a percentage of family income;
- Exempting certain poor families from a copayment; or
- Requiring fees from families that previously were exempt.

Copayment Limits

Studies have documented the disproportionate share of child care expenses as a percentage of poor families' income. Although fewer than 40 percent of poor families pay for child care, those who do spend a significant portion of their budgets on child care.¹² To help guide state decisionmaking on this issue, the U.S. Department of Health and Human

Services (HHS) suggested a maximum copayment limit of 10 percent of family income in its proposed child care rules, released in July 1997. HHS has recommended use of this percentage since shortly after the federal welfare law was enacted in August 1996.¹³ Several states have set maximum copayment levels at approximately 10 percent, while other states limit fees at higher or lower percentages.

Poor families spent an average of 18 percent of their incomes on child care in 1993, compared to 7 percent for non-poor families, according to the U.S. Census Bureau. Families with the lowest incomes spent the highest proportion of their incomes on child care. Those earning less than \$1,200 per month spent nearly one-fourth of their incomes on child care on average.¹⁴ A child care economist and researcher projected that a single mother who earned the minimum wage (\$8,840 per year) and had one child would have spent 38 percent of her income to purchase formal child care in 1995, creating a financial incentive to find lower-cost, informal care. This estimate was based on the average child care cost of \$1.60 per hour, which totals \$3,328 per child per year for full-time care.¹⁵

Some states with copayments that are higher than the 10 percent proposed federal limit illustrate the tradeoffs between providing child care assistance to more families and increasing their fees. The Illinois legislature increased the income eligibility limit to 50 percent of the SMI (\$21,819 gross per year for a family of three) from the governor's proposed 40 percent of the SMI (\$17,456 per year for a family of three) and added \$100 million in additional state child care funds, instead of the \$70 million proposed by the governor. The change in the law resulted in a higher percentage of parents' income used for the copayment. The highest income-eligible family of three will spend approximately 13 percent of its income on child care. In Wisconsin, policymakers initially required some families to pay about 46 percent of their incomes for child care within the established eligibility limit and with available funding. After considerable public concern was expressed, state administrators used federal TANF money to lower the copayment maximum to about 15 percent of a family's income. Although the state reduced its emphasis on cost of care, copayments still include a differential, so families that use less regulated (provisional) care are charged 30 percent less than families that choose licensed care. For example, a Wisconsin family of three earning 130 percent of the FPL (about \$1,500 per month), with children in licensed care would spend about 13 percent of its income on child care—or \$190 per month—compared to 9 percent of income—or about \$130 per month—for provisional care.¹⁶

What Is Affordable?

Economic analyses have not conclusively determined what percentage of income is affordable for low-income families to spend on child care, considering their other essential expenses such as taxes, shelter, food, health care, clothing and transportation. Researcher Teresa Vast of Hawaii, however, has estimated what families can afford to pay for child care by adapting the federal methodology used to determine what families can pay toward college costs.

Low-income families are expected to contribute approximately 22 percent of their discretionary income toward the expenses of a child attending college. Using this measure of affordability, Vast estimates that the percentage of gross income that a low-income family of three can pay for child care varies from zero to 8 percent.

Her analysis shows that poor families cannot afford to contribute to child care costs until their income reaches about 160 percent of FPL (\$21,328 per year), based on the poverty guidelines for the 48 contiguous states (poverty guidelines for Alaska and Hawaii are higher). Families at this income level can be expected to pay just 1 percent of their income—\$17 per month or \$208 per year. At 200 percent of the FPL (\$26,660 per year), a family could be expected to contribute 4 percent of its annual income for child care (\$1,056 per year). Even at 300 percent of the FPL (\$39,990 per year), families of three can pay just 8 percent of their income for child care (\$3,346 per year or \$279 per month), still less than the cost of full-time, quality child care in communities across the nation.¹⁷

State Examples of Sliding Fee Scales

In deciding a sliding fee scale, state policymakers consider affordability issues for families earning at the high, low and middle points of the income scale. Figures 3 and 4 illustrate various state approaches to sliding fee scales.

Figure 3.
Rhode Island Fee Scale – Family of 3

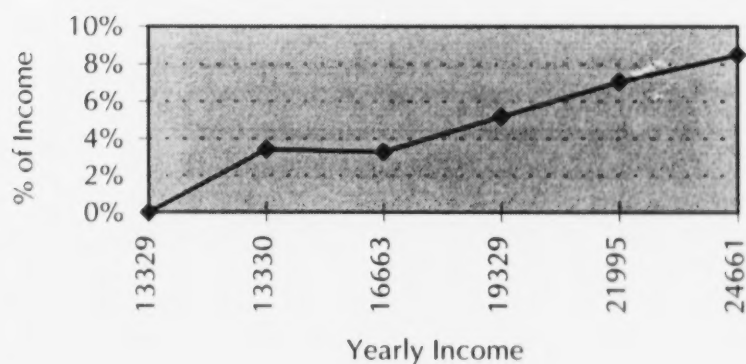
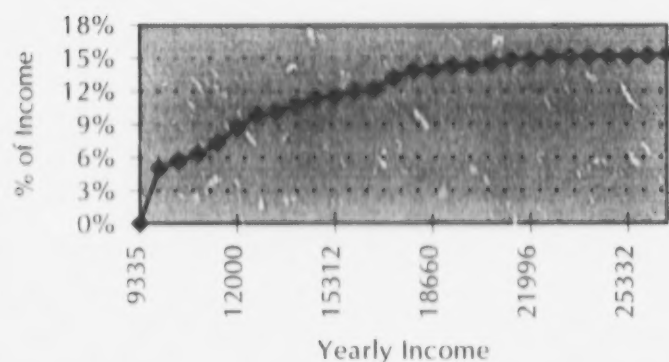


Figure 4.
Wisconsin Fee Scale – Family of 3 in Licensed Care



(Note: All families included in the scales in Wisconsin and Rhode Island are assured of receiving child care assistance in the next fiscal year.)

The cliff effect

The limited copayment level has important effects on the highest income-eligible families' ability to afford child care and other expenses once their child care assistance ends. As a family's income increases to the point of ineligibility for child care assistance, state legislators may want to factor in the phase-out rate of other means-tested benefits and the availability and amounts of tax credits for poor families. The low-income family's loss of several public benefits—such as child care or Medicaid—when it reaches a certain income level is known as the cliff effect.

Exemption Policies

Contributing to affordability: Parent fee exemptions

According to a recent American Public Welfare Association (APWA) survey, at least 10 states plan to continue or add a copayment exemption for certain poor families. Examples include:

- Exempting families on welfare from paying a fee (New Hampshire, Mississippi).
- Exempting certain other poor families from paying a fee (California, Nebraska, Arkansas).¹⁸

These policies help make the cost of child care more affordable for poor families. As the parent contributes less, the state must provide more funding to serve the same families. Some states that exempted more families increased appropriations.

Requiring a fee from parents who formerly were exempt

To serve more families or otherwise increase their child care funding levels, some states raised parent fees or required more families to pay a fee. The APWA survey found that at least seven states plan to increase copayments for low-income families or add a copayment requirement for welfare recipients. Policymakers in some states argued for higher fees because they thought the previous fee was too low and estimated that the higher fees would generate revenue. In some cases, however, it may cost more to administer a copayment for previously exempt families than the amount raised in revenue. Although some state decisionmakers argue that a copayment is a way for a parent to learn responsibility, this policy can increase the burden on poor families. Higher fee policies, however, helped states such as Illinois and North Carolina provide child care to more families.

Using the cost of care to determine the copayment

In addition to a family's income and size, several states base copayments on the cost of child care. Under this policy, a family pays more for care that meets higher standards because that care is more expensive. This policy may discourage eligible families with limited resources from choosing higher-cost care, which often includes higher quality care. Policymakers who use this strategy may want to consider the long-term effects of placing low-income children in settings that may fail to positively contribute to their development or that may actually harm development. Because recent early childhood brain research suggests that the first three years are crucial to learning and development, cost-based fee scales have lasting implications. Two states—Delaware and Louisiana—used a cost-of-care scale and were able to maintain a maximum fee that is less than 10 percent of an eligible family's income.¹⁹

Reimbursement Rates and Mechanisms

Another major factor to consider when examining child care eligibility, funding and copayment policies is the level of reimbursement. Adequate reimbursement rates are critical to the effort to maintain a child care strategy that achieves both work force and child development goals. With adequate reimbursement, providers can pay for better services, such as more training, better wages or benefits. If rates are too low, fewer child care providers will accept subsidized children because providers—generally operating on tight budgets—are less able to afford to serve them. Reimbursement rates represent a tradeoff. On the one hand, states that raise reimbursement rates without increasing child care funding levels may face a reduction in the number of children served. On the other hand, significantly reducing reimbursement levels in an effort to spread resources further may adversely affect the safety and quality of child care and may limit access to care.

To meet the welfare law's requirement that states ensure equal access for subsidized children and for unsubsidized children, a proposed federal rule suggests that states pay at least the 75th percentile of market rates for child care. A state's provider reimbursement rate level and policy has a substantial effect on the safety and quality of care that can be purchased for low-income families. Through former and currently proposed regulations,

federal policymakers set the 75th percentile as a measurement of a state's ability to offer a wide enough range of providers to include sufficient choices of good care. Some states reimburse at this level, others below it. At least one state—California—pays above this level.²⁰ As states pay higher reimbursement, more providers with higher costs and better services are more likely to agree to serve state-subsidized children.

Low reimbursement rates are a disincentive for providers to serve low-income children, and can reduce the supply of subsidized care. Supply may dwindle in states that reduce their rates far below what the market will bear. In 1990, the Children's Defense Fund reported that 26 states indicated that providers were unwilling to serve children subsidized by welfare-related child care funds because of low reimbursement rates.²¹ At least 20 states raised or plan to raise their reimbursement rates in FY 1998, although it appears that at least two states will be paying below the 75th percentile of market rates.²² Moreover, observers point out that, while some states reimburse providers at the 75th percentile of market rates, they may base their rates on outdated market rate surveys. Another state option is to reimburse providers at the rate they actually charge parents.

Differential Reimbursement

To encourage better quality or harder to find child care services, some state legislatures are increasing reimbursement rates to providers of those services or using differential reimbursement rates. Some states reimburse providers at a higher level to encourage care that is in short supply or higher quality care. States can pay a higher reimbursement rate to certain providers to encourage poor children's access to better or harder to find care. Although these differential rates will cost a state more, they also may lead to a greater supply of child care services that promote either stronger work force participation or better child development outcomes. The following examples of such policies include states that pay or are planning to pay differential reimbursement rates.

State differential reimbursement policies

- Accredited child care—Some states pay more for programs that receive national accreditation or that meet standards that promote healthy child development (Connecticut, Mississippi, Oklahoma, Kentucky, Minnesota, New Jersey, South Carolina, Vermont and Wisconsin).²³
- More strictly regulated child care—Some states with multiple levels of regulatory requirements for centers or family child care providers require a higher reimbursement for providers that meet stricter licensing standards (Florida, Iowa, Nebraska, New Mexico, North Carolina, Oklahoma and Wisconsin).²⁴
- Weekend, early morning, evening or night care—Because there are few providers that can serve the increasing number of low-income families that are working at jobs outside the traditional hours of 9 to 5, two states authorize a higher rate to providers that serve these families (Colorado and Kentucky).²⁵ A few other states (Alaska, New Jersey, Louisiana and Minnesota) direct resources to providers that serve children during

nontraditional hours.²⁶ An Illinois law requires the state to develop a plan to improve child care services during nontraditional hours. Iowa has proposed an additional 10 percent in reimbursement rates and Ohio's payment cap is 5 percent higher for nontraditional hour care.²⁷

- Care for children of low-income families—With significant child care supply and affordability challenges for poor families, Iowa is proposing to pay more to providers that serve at least 50 percent to 75 percent state-subsidized children.²⁸

Sources of funding

States have access to various child care funding sources, such as:

- State general revenue;
- Federal child care funds;
- Federal welfare (Temporary Assistance for Needy Families) funds.

Funds for child care

The child care block grant is a fund comprised of three different funding streams with different matching requirements, effective dates and processes for federal appropriations. However, despite the multiple sources of funding, the allocation of funds, earmarks and criteria are the same for all funds inside the child care block grant. In addition, Title XX, the Social Services Block Grant that is used by many states as a funding source for child care, is reduced by 15 percent through FY 2002.

The Three Types of Funding Streams that Are Pooled into the Block Grant

1. **Federal discretionary funds.** A total of \$7 billion is authorized in discretionary funding from FY 1996 through FY 2002. The discretionary funding, formerly known as the Child Care Development Block Grant, is authorized at \$1 billion for each fiscal year, subject to the congressional appropriations process.
2. **Federal mandatory funds.** A total of \$13.9 billion in mandatory funds is available from FY 1997 through FY 2002. Mandatory funds are capped and remain an entitlement to the states. Each state is guaranteed a base allocation of mandatory child care funds each year from a pool of \$7.2 billion of the total mandatory funding stream. State allocations are based on one of three options, whichever is greater: 1) the annual average of federal IV-A child care grants to the state between FY 1992 and FY 1994; 2) the federal IV-A child care grants to the state in FY 1994; or 3) the federal IV-A child care grants to the state in FY 1995.
3. **Federal mandatory funds that require a state match.** To be eligible for mandatory child care matching funds, a state must obligate its base allocation by the end of the fiscal year and meet maintenance of effort requirements (see below). Approximately \$6.7 billion of the total mandatory funding stream is available in matching funds. States can

match these federal funds at their FY 1995 Medicaid matching rate (FMAP). Each state will receive its matching funds at the beginning of the federal fiscal year based on its estimates of need for matching funds and its population of children under age 13. At the end of the fiscal year, the U.S. Department of Health and Human Services will perform an audit of state matching fund expenditures and states will have to repay misused or unused matching funds. All unused funds will be redistributed to qualifying states.

State Maintenance of Effort

To qualify for child care matching funds, a state must maintain 100 percent of its IV-A child care expenditures for either FY 1994 or FY 1995, whichever is higher.

Single Criteria for Child Care Block Grant

- **Entitlement.** There is no federal guarantee or individual entitlement to child care, nor is there a federal guarantee of transitional child care. However, many states have existing state statutes that provide a child care guarantee to those on welfare who are required to work or for those who leave welfare for work. The absence of a federal guarantee does not necessarily eliminate the remaining state statute. Some states also have waivers that allowed them to guarantee up to two years of transitional child care.
- **Earmarks and set-asides.** All federal child care funds (discretionary, mandatory and matching) are subject to the same earmarks and set-asides. A minimum of 1 percent of aggregate funding is set aside for tribes and the secretary can set aside up to 2 percent. Each state then must meet limited requirements for administrative costs and quality that are earmarked from all three funding streams. The law limits the funds available for administrative costs to 5 percent. Report language allows the secretary to define administrative costs and a range of activities including, but not limited to, licensing, inspection, establishment and maintenance of computerized child care information, and resource and referral services that are not considered administrative costs. States must spend no less than 4 percent of all of their total funds on activities that improve the quality and availability of care.
- **Transferability into the child care block grant.** States may transfer up to 30 percent of their TANF block grant to the child care block grant.

Source: APWA, NCSL, NCA Welfare Reform Briefing, September 9-10, 1996.

Using TANF funds for child care

The federal welfare law allows states to transfer up to 30 percent of their federal welfare allocation to child care. States can exceed this limit only if they use the funds, but do not transfer them, for child care. Unless states transfer the TANF funds, the five-year lifetime limit on TANF eligibility applies to families that receive child care with nontransferred TANF

funds, even if the family receives only a child care subsidy and no other welfare benefits. States have decided to use, but not transfer, TANF funds for child care for other reasons. In Florida, for example, state administrators kept the funds in TANF because they wanted the flexibility for when they must obligate the money that TANF gives states. Under the CCDBG, states must obligate child care funds within two years; under TANF, however, states have five years. If the funds are not expended after two years, CCDBG rules require that states return the funds to the federal government.

Using Welfare Funds to Serve More Families and to Reduce their Copayments

Wisconsin budgeted \$83 million of its TANF funds for child care expansion in FY 1998. This funding strategy has coincided with a 54 percent reduction in the state's welfare caseload during the past four years. By using this strategy, Wisconsin will serve all families that earn less than 165 percent of the FPL (\$21,995 per year) and will require less than 16 percent of any family's income for its copayment. State policymakers used \$20 million in TANF funds for child care in January 1997 to reduce the maximum copayment from 46 percent to 16 percent of income.²⁹ Families will be able to continue receiving child care assistance up to 200 percent of the FPL. Wisconsin's welfare caseload reduction has made it possible to invest more in child care and other support services.

Because most state welfare caseloads recently have declined, some states are using TANF money for child care. In addition, the work participation requirements are lower during the first few years, further easing the state burden. Recent data indicates, however, that states are having difficulty meeting the two-parent family work requirements in the first year.³⁰ Building child care capacity in this fiscal environment takes into account long-term demand, but could come at the expense of job-related or transportation expenses for TANF recipients. Moreover, if a state's economy worsens, the state may need to reallocate the funds to TANF and either reduce the child care funds or find another source of funding. The APWA survey found that at least 16 states plan to use TANF funds for child care.

Conclusion

With the federal enactment of the PRWORA, states have more flexibility than before to design child care systems for welfare recipients; former welfare recipients in jobs, training or education; and other low- or moderate-income working families. In establishing these systems, states are addressing three fundamental policies: who is eligible, how much those parents will pay and what the state will reimburse providers of subsidized care. Federal work requirements increase the pressure on states to develop a child care system that not only helps move welfare recipients into work, but that also provides child care assistance to working poor families who may need it to continue working and stay off welfare.

Legislators and other state decision makers are taking advantage of the flexibility to develop various strategies for these key decisions. They also are examining ways to maximize resources for child care assistance, including using part of their TANF allocations. These state child care policies significantly affect the ability of welfare recipients in work activities and other working poor families to become self-sufficient. Such policies also affect the

quality of care, which has an enormous effect on the educational, economic and social success of future generations.

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5. GETTING TO WORK: PROVIDING TRANSPORTATION IN A WORK-BASED SYSTEM

State and federal welfare reform requires most recipients to get a job or to develop job skills to make the transition into a life without welfare. Their days begin not at the time clock, but on the daily route from home to child care, to work and back again. Recipients without cars are left to depend on public transportation, which can involve taking three or four buses each way. Even for those with cars, money for gas and needed repairs often is in short supply. Although many Americans make their daily commute to work, for many of the most vulnerable who are at the turning point of leaving welfare, the road is paved with potholes and speed bumps.

Solving the transportation problem is a critical part of moving recipients into the work force. States recognize the importance of transportation; some cite transportation as the first or second biggest barrier to employment. Placing new responsibilities on recipients to find work means finding innovative ways to get them there. This also means understanding the barriers that recipients face regarding transportation. Because recipients come into the welfare system with different obstacles, states need to develop multiple transportation options and solutions. States are in a good position to do this because they now have the flexibility—and most states have money available—to help TANF families. States need to channel this money in a variety of ways to accomplish the goal of moving more recipients into work.

States have started to meet the challenge by developing new approaches to providing transportation. These innovations include the development of vehicle purchasing agreements to enable recipients to own their own cars, filling transit service gaps, offering entrepreneurial opportunities for recipients to become transportation providers, and providing transitional services for recipients who leave welfare because of employment.

by Dana Reichert

Key Questions for States

- What obligations do states have to provide transportation to recipients who are mandated to find work?
- How will states assess the needs of recipients and find solutions that will match those needs?
- Should states exempt recipients from work activities or sanctions if they do not have access to transportation?
- How will states connect workers with employment opportunities located in suburban areas?
- What types of services can fill gaps in public transit for shift and weekend work?
- How will states develop options for rural communities that lack any public transportation?

In developing transportation innovations, states must develop relationships with other agencies and service providers. This link will be crucial, as human service agencies will be venturing into issues and problems once thought to be handled only by transportation agencies. Transportation agencies will be confronting issues faced primarily by human service agencies, as they become involved—literally moving welfare recipients to work. Each has an expertise that will need to be tapped if states hope to become truly innovative about providing transportation. All those involved must participate in finding solutions. Otherwise, states risk spending valuable resources on services or research that already might exist, or problems that already have been solved. By opening communication, agencies will be able to overcome administrative barriers that sometimes impede implementation of programs and ideas.

The Transportation Dilemma

Many jobs are out of reach for welfare recipients, but not because they lack the skills to get those jobs. The growth in the U.S. economy has created many new jobs. Two of three are located in suburban areas and, in some cities, more than 50 percent of these jobs are outside the range of public transportation. A recent study in Boston concluded that only 43 percent of entry level jobs are accessible by public transportation. Even then, most of these jobs require a one- to two-hour commute each way. Since only about 6 percent of recipients own cars, many will depend on public transportation or other transportation providers to get them to work; for rural areas the problem is magnified. Only 40 percent of rural communities have access to public transportation, leaving recipients who live in these areas with even fewer options. "Transportation between many poor urban neighborhoods where welfare recipients live and the outer ring of economic opportunity must be improved," according to Texas Senator Rodney Ellis.

States must be cautious, however. Although many of the newly created jobs are located in suburban areas, many existing jobs are within reach of cities. "Many of our departments tell us recipients are not looking toward the suburbs, they are finding jobs right here in the city. We can't use transportation as an excuse for recipients not to work. There are jobs out there, and they are not all located in the suburbs," says Joel Potts, policy coordinator for the Ohio Department of Human Services.

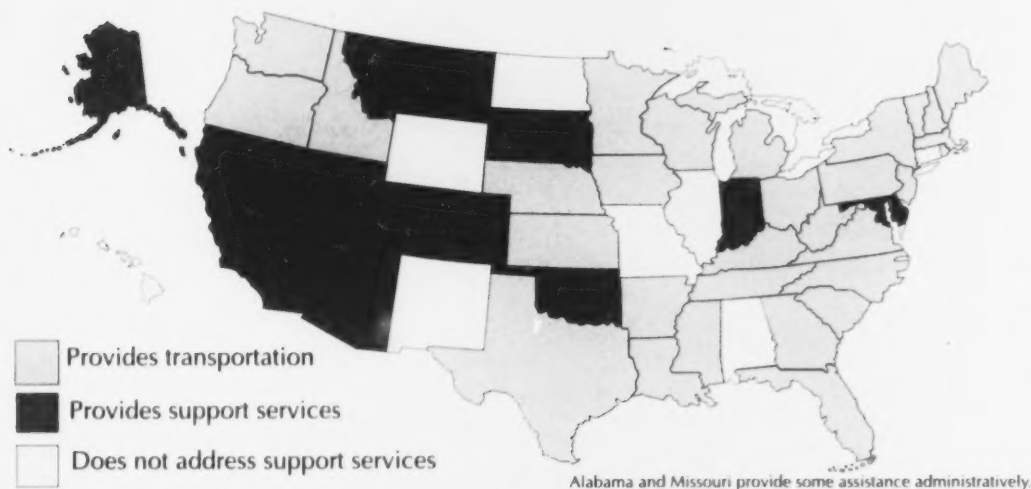
Public transit may solve some of the transportation problems that recipients face, but it is not the total solution. Even when jobs are easily accessible to public transportation routes,

many day care centers and schools are not, putting a further wedge between transportation providers and those who depend on their services. Although public transit might take recipients to a job, if recipients cannot use transit to take their child to day care, they still face a significant barrier to required participation. For some recipients, an excessive amount of time is involved just to take the bus. One recipient in Colorado had to walk a mile from the bus stop to take her daughter to day care, walk the same mile back to the bus, and then take two more busses to her work destination. In all, she spent more than four hours just to get to and from daycare and work. Most commuters would find this unreasonable. States will need to decide if this type of dependency on public transit is reasonable for its welfare recipients.

Many of the available jobs require weekend or night shift work when transit system schedules are even more limited. Public transit may be a readily available option, but riders often face delays on even the best running bus systems. New Jersey Representative Nick Asselta spent a day with a local welfare recipient and experienced this himself; he had to wait more than 20 minutes for a bus that was late. "Public transportation is not as reliable as people think. If you're waiting for a bus to get to work and it's late, you'll be late," Asselta said.

Public transit will not be able to serve the needs of all recipients. Other options—such as feeder buses, vanpools and enabling recipients to own vehicles—will be important links to connect recipients with employment. It is important to remember that any one transportation idea will not fit the needs of every recipient, nor will it solve every transportation problem. The more tools that are available to local welfare departments mean a greater possibility of providing the types of assistance that recipients need. Figure 5 illustrates the status of state transportation assistance for those who receive welfare benefits.

Figure 5.
Transportation Assistance for Welfare Recipients



Source: Compiled by Dana Reichert, NCSL, 1997.

Who Gets What

Providing transportation to welfare recipients is not a new concept, but new state and federal work requirements affect a much larger proportion of recipients. Some states have guaranteed that transportation assistance will be provided, while others take a less assertive approach. Because of this, deciding what happens to recipients who cannot participate in work activities because of transportation barriers is yet another problem to be resolved. States have taken different approaches. Minnesota allows an exception to a recipient's participation in work activities if transportation is a barrier. South Carolina goes a bit further by exempting recipients from time limits if transportation is unavailable. Ohio does not exempt recipients from work activities but will not sanction them for not participating. Florida will not exempt recipients from work requirements if they do not have transportation. Now, more than ever, states have the resources to offer assistance for transportation and, given the emphasis for states to meet work participation rates, it will be crucial to ensure that every recipient is able to participate.

Taking Inventory

A starting point for states that are developing transportation ideas will be to inventory the available transportation options and assess the individual needs of recipients. Like welfare reform itself, transportation services cannot be designed uniformly to meet the needs of all recipients. In the AFDC program, the traditional options were to provide reimbursement for the cost of transportation through gas vouchers, provide bus passes or tokens for recipients, or pay for vehicle repairs or maintenance. This blanket approach can leave states unprepared to deal with the variety of transportation barriers that recipients face. Before implementing TANF, for example, Kentucky's policy was to provide a \$3 per day transportation allowance to its recipients. This approach worked well for those recipients whose transportation expenses did not exceed the allotted \$3 or who had reasonable access to transportation in the first place. For recipients who lived in rural areas with no access to public transportation or a vehicle, the \$3 per day was of limited value. This created a challenge in planning for TANF implementation, because the department had no way to gauge the actual cost to provide the types of transportation services that recipients would need to participate in work activities.

Reimbursement for gas and providing bus passes undoubtedly will continue under the Temporary Assistance to Needy Families program. Some recipients need little case management and minimal services. For them, gas vouchers or reimbursement might be adequate. For recipients who need more assistance, states will need to address transportation needs creatively. For states to meet the increasing demand for transportation services, they will need to redirect resources and develop ways to provide additional services.

Developing innovations to fill service gaps means that states must become familiar with the types of transportation services already provided, the existing service providers and the communities that have access to these services. Most states can easily name public buses, subways and taxicab companies as available transportation providers, but may not realize

that school buses, civic organizations, churches and elderly groups can be targeted as potential providers. Because states cannot revamp their entire transportation systems to accommodate welfare reform, it will be important to take advantage of all existing services.

The other important link is to determine the relationship between service areas and the population that will most likely use the service. A study conducted in the Cleveland, Ohio, area found that only 15 percent of jobs could be reached by public transit within a 40-minute commute time, and only 44 percent if the commute time were doubled. To determine where service gaps exist, many states have begun to use geographic information system (GIS) software to plot fixed route service areas, the neighborhoods and areas most likely to need services, and employment centers. Typically, this mapping technology has been used locally by transit providers or planning organizations. As human service departments begin to plan transportation strategies, however, GIS will become a useful tool.

Determining the specific needs of a recipient is a next step. Some states include transportation barriers as part of their assessment of a recipient's work readiness. Caseworkers need to be able to identify barriers and communicate the types of service options available to recipients. One approach incorporates transportation needs into a recipient's responsibility contract. The contract details a recipient's obligations and specifies services the department will provide to ensure successful participation. The caseworker also can help recipients solve problems or develop backup options for their transportation needs if the primary source of transportation fails. Utah provides intensive case management to its clients and provides immediate assistance to remove transportation barriers for such things as car repairs, working with recipients to avoid future transportation dilemmas. By working with individuals directly, caseworkers have a better chance of assessing what services or options will best serve recipients. Caseworkers will not give recipients a blank check without first discussing all available solutions and alternatives with their clients. This strategy also helps to foster client responsibility and planning.

Other states such as Maryland have used diversion strategies to remove transportation barriers. By providing money for emergency car repairs or tires, some potential recipients can be diverted from long-term assistance and continue to retain employment because they have dependable transportation. This strategy will work well for individuals or families who simply need a boost, not a check. By preventing welfare dependency, families are likely to stay employed and off the welfare rolls.

Transit Innovations

Public transit is perhaps the easiest and most available tool for states to use when thinking about providing transportation, at least in urban areas. Public transit is almost nonexistent in many rural areas. Most metropolitan cities have public transit in some form, and it is fairly easy and inexpensive to provide bus passes or tokens to recipients. However, most public transit is not routed to suburban areas where much of the new job growth has been and routing sometimes is not convenient from neighborhoods where recipients live or where their children go to school. So, although transit is available, for some it is not a

Geographic Information System Software

Geographic Information System (GIS) software has traditionally been used by metropolitan planning organizations and local transit authorities to generate maps of public transit service routes in conjunction with various neighborhood employment locations. It works by plotting known information—such as neighborhoods, employment centers and service routes—against existing geographical information such as streets to generate a customized map. Some states are beginning to use this technology in welfare reform to determine the proximity of neighborhoods most likely to serve welfare recipients and the employment, child care, schools, and retail centers used by this population. In this way, they are able to determine the possibility of potential new fixed routes, as well as determine where to feeder commutes would fill service gaps. This software also can be used to map routing for recipients who will use a variety of coordinated options, including feeder services, vanpools and public transit.

feasible solution either because the bus cannot take them everywhere they need to go, or because it takes an unreasonable amount of time to get there. Relying on public transit also is troublesome if there is an emergency—such as picking up a sick child from school. This puts recipients at the mercy of transit routing and scheduling. Using transit to connect recipients with potential employers is a challenge that states must confront to maximize the employment potential for their caseload. Some states have begun plan how they can fill in where public transit leaves off.

Transit Benefit Program

Federal tax law established the Transit Benefit Program, which allows employers to claim a tax deduction if they provide employees with transportation assistance. To qualify, employers must contribute up to \$65 per month for transportation expenses—either public transit, parking or vanpooling. In exchange, employers can claim a tax deduction for each employee, and employees enjoy a nontaxable benefit. Currently, New York and Pennsylvania operate the largest transit benefit program, called TransitCheck. In Philadelphia, employers purchase monthly bus passes from transit providers and distribute passes to participating employees. In New York, employers provide vouchers to employees to purchase bus passes or tokens; the vouchers are not redeemable as cash. A recent study of the program found that transit commuting increased for employees once the passes were provided. Any employer can participate in this program, although collaboration between transit providers is essential to developing a workable agreement. Currently, versions of the Transit Benefit Program are operating in Chicago, Denver, Los Angeles, Milwaukee, New York, Norfolk, Philadelphia, San Francisco and the District of Columbia.

Connecticut has answered this call by developing a feeder bus that transports riders from bus stops to major employment sectors. Connecticut worked with the local transit provider to extend its hours to accommodate later shift changes and work schedules from the area's main retail district. Bridges to Work in Colorado contracts with the local bus provider to connect inner-city workers with suburban employment areas. The program consists of several demonstration projects funded by the U.S. Department of Housing and Urban Development and private foundations. The Colorado site provides monthly bus passes for riders who have secured jobs, and guarantees a ride home in case of an emergency. The program serves a dual purpose in that it provides needed transportation and demonstrates that there is sufficient demand for routes to areas where the available jobs tend to be full-time positions with benefits and pay substantially higher than minimum wage. "These recipients are earning a starting wage of \$2 to \$3 higher than jobs found within the city, and these jobs tend to be career oriented with a much better opportunity for advancement," said Mandi Huser, the project coordinator.

Although public transit will not be the answer for all situations, many welfare recipients will depend on its services. If states can develop ways to augment existing transit services, they may be able to reduce some of the problems related with public transit. It also can provide an opportunity for those who would not otherwise use public transit.

Transit Alternatives

Vanpooling or shuttle services offer ways to fill transit gaps or to provide service in areas where public transit is not available. Vanpooling traditionally has been a volunteer organized service or a special service provided by a particular organization. States are considering ways to use vanpools by contracting with providers who operate vanpools or transit services. Taking advantage of existing transportation providers is a new venture, in part because many providers are not aware they are in the transportation business. Schools, churches, elderly and civic organizations operate vans or shuttle services but usually are not considered providers. Tapping these resources is not without challenge. Existing vanpools operate on a specific schedule for the population they already serve, and might not be able to accommodate the changing work schedules of recipients. They also might be limited in their ability to provide rides on short notice. Most vanpools or shuttle services require a reservation, some as much as 24 hours in advance. There also are liability and insurance issues that would need to be addressed. "These details are not insurmountable; the opportunity to use these services is too great not to try," says Doug Birnie, director of research management for the Federal Transit Administration.

Medicaid Metropass Program

The federal Medicaid program allows reimbursement for travel to services covered by Medicaid, including doctor's appointments and treatment for mental health, substance abuse and HIV. Florida has maximized use of this program by creating a system that provides monthly bus passes for qualifying recipients. Florida found that most of the recipients' Medicaid-related trips were reimbursed by taxi or by a van service, costing as much as \$15 for a one-way trip. Once a recipient made three such trips, the cost exceeded that of a monthly bus pass. As a result, Florida developed the Medicaid Metropass Program, giving recipients bus passes if they made six or more trips during a three-month period. The bus pass allows recipients to make their medical appointments, at the same time allowing them flexibility to use the bus pass for other purposes. Because many Medicaid clients also are receiving welfare, this program can potentially serve as transportation for welfare clients to get to work or to mandated substance abuse treatment. The department estimates that it currently distributes approximately 4,000 passes, saving the department approximately \$5 million monthly over the former reimbursement policy.

A rural Alabama county contracted to use passenger vans to transport participants to jobs in a nearby town. Before the van pooling service began, there was no public transportation into or out of the county. In Maryland and Missouri, recipients are being trained through an entrepreneurial program to become transportation providers.

North Carolina and Ohio are using school buses to provide these needed transit services. North Carolina combines recipients' work activity with their transportation, allowing recipients to act as bus monitors or to work directly in the destination school. Ohio will use school buses during off-hours and summer schedules to transport recipients.

Ohio's Transportation Work Groups

In developing their county plans, commissioners must operate a work group to develop transit options, remove bureaucratic barriers and generate solutions to transit problems. A wide range of expertise exists in these groups, including:

- County commissioners
- Local human service departments
- Regional transit authority
- Community action organizations
- Educational service center
- School districts
- Metropolitan planning councils
- Bureau of employment services
- Area office on aging/senior citizen service providers
- Private transportation providers
- Head Start
- Chambers of commerce
- United Way
- Local churches
- Housing and Urban Development
- Veteran's groups
- Insurance representatives

For recipients who cannot make an advance reservation—say for a job interview or an additional shift—vanpooling will continue to be problematic. For rural areas, it offers an effective way to get recipients to jobs. In urban areas, it can fill in where bus service is not available. In addition, using existing resources by contracting with providers can be cost effective for departments that are seeking alternatives to purchasing department vehicles.

AdVANTage

The AdVANTage program in Maryland, an entrepreneurial opportunity for welfare recipients to become transportation providers, is funded through the Community Transportation Association of America. The program is designed to train and assist a limited number of welfare recipients or low-income individuals to operate their own business by becoming transportation providers. Anne Arundel County contracts with the local YWCA to provide training and assist with license certification for recipients who are selected for the program. The participants receive intensive business training and a capitalization grant to pay some of the start-up cost to lease vans for their business. The grant usually covers about four or five months of a van lease, at which time the recipients are expected to take over payments. The county department of social services then will use the service for low-income riders who will pay a sliding scale fee for their transportation. The first van began service in December 1997. Service areas for these vans will include a combination of rural and urban areas. The project cost is around \$90,000—\$7,500 for each of 12 participants. Expansion of the program is planned in the Baltimore area. A similar program is being developed in Missouri.

Maximizing Flexibility

Now, more than ever before, states have the flexibility and opportunity to develop their own transit options. Needs of a diverse welfare caseload will mandate the development of a variety of transportation options. Ohio has capitalized on this flexibility by allowing counties to develop individual transportation plans. The legislature appropriated \$5 million to be distributed among counties that submit transportation proposals. "Because our inner cities and rural areas have such diverse needs, we needed to respond by enabling them to come up with their own innovative ideas. We have plenty of people available to work; we need to get them there," says the bill sponsor, Representative Joan Lawrence.

The plan must include an inventory of existing providers, a service plan and a working group that will oversee the implementation of the plan. "Having all the players at the table has been crucial to counties developing innovations. When a regulatory or administrative barrier comes up, there is always a representative who can speak to a solution," says Kim Kehl, from Ohio Works First.

Kentucky is developing a different approach by contracting with a transportation broker that will be responsible for providing a guaranteed ride for all welfare recipients. This broker can provide the services directly or contract with various organizations to provide the service.

Collaboration between the human services and transportation departments also can be an effective way to develop ideas, discuss barriers and generate solutions. Both departments have areas of expertise that need to be tapped, since both will be dealing with welfare recipients who will need rides to work. Some states—such as Arkansas, Maine and Mississippi—have mandated this type of collaboration between agencies to come up with new possibilities for recipient transportation. Collaboration can produce a substantial increase in service delivery and service options to recipients, while reducing unnecessary duplication between agencies. Currently, Florida's Department of Children and Families has collaborated with the transportation department to develop new approaches. One such innovation involves contracting with a local hotel that extends its shuttle services to its hotel employees. The state reimburses the employer for 40 percent of the cost of transportation. This guarantees employees a way to get to work, and has had a significant effect on employee retention.

Florida's Legislature helped to facilitate other collaborations by developing a Commission on Transportation Disadvantaged, designed to generate transportation options for low-income residents. The commission oversees local community coordinators who work with other agencies to determine the most cost-effective ways to provide transportation options to the working poor.

Coordination between agencies can be difficult, especially when it means forging new relationships or mending old ones. To make the most of states' newfound flexibility, it will be important to foster this communication to facilitate the development of new ideas, or to relay existing ideas that might be unfamiliar to others. Collaboration offers an opportunity to eliminate duplication and to prevent agencies from redesigning service delivery and planning programs that already exist.

Taking Ownership

Under federal AFDC rules, recipients could not own vehicles worth more than \$1,500 without the additional value counting against the \$1,000 asset limit required for eligibility. States have been raising those limits for several years, and now most states have much higher vehicle disregards (see figure 6). Some states like Michigan and Arkansas disregard the entire value of a car, while other states such as Georgia exempt the value of a car up to \$4,500. This flexibility makes it possible for recipients to own a reliable car without being penalized.

Some states have gone further. Southwest Virginia counties have developed a program that will help recipients purchase their own cars. The department purchased used government vehicles and resold them to recipients at a cost of about \$100 per month, which includes regular maintenance and tires. The high-mileage cars are evaluated by the state's auto repair service and determined roadworthy. Recipients are carefully screened and evaluated to make sure they will be able to afford monthly payments and then selected to receive one of the cars. "The amount we would spend on a recipient in a year for other types of assistance is more than the amount of money we spent on providing recipients with this

Commission for Transportation Disadvantaged (CTD)

In 1990, Florida legislation established the CTD to address the transportation needs of its low-income population. The commission oversees Community Transportation Coordinators (CTCs), who are responsible to develop and implement cost-effective transportation for their low-income population. The commission is funded through a \$1.50 fee applied to all licenses obtained in the state, and some money collected from parking fines. The money then is apportioned as a planning grant and as an implementation grant to assist counties to develop their transportation ideas. The CTCs are required to work with other agencies to avoid a duplication of services and to maximize expertise in developing ideas and plans.

McKnight Foundation grant, and recipients pay back the loan over two years. Interest rates are low, between zero and 8 percent. The loan is available for low-income workers who have been at a job for more than six months, who have some disposable income to make payments, who are pursuing secondary education and who have no other means of transportation. The program has served more than 6,500 families, with a repayment rate of 76 percent to 99 percent. The loan program also provided a way for recipients to establish or reestablish their credit. Dependence on public assistance dropped by 40 percent among program participants.

Owning a vehicle brings new responsibility—licensing, insurance and maintenance. Some recipients might have restrictions on their driving privileges; others will not be able to afford insurance or tires. For this group, owning a vehicle will not be a feasible transportation solution. But, for some, owning a car might mean the difference between self-sufficiency and welfare. In rural areas where there is no public transit and few job opportunities, a car can connect recipients with opportunities that busses and vanpools cannot reach. A car also can connect people with better jobs, or jobs that would otherwise be inaccessible because of distance or location. Owning a car also allows recipients the flexibility many other workers enjoy.

Life after Welfare

Recipients' transportation needs do not end when they leave welfare. To help ease the transition from welfare dependence to self-sufficiency, some states offer transitional services. These services are available after a recipient leaves assistance because of employment or increased earnings. Kansas, Maine, Michigan, South Dakota, Tennessee and Virginia have committed to provide needed transitional transportation assistance or support services to recipients who lose eligibility because of employment. As more recipients make the transition from welfare, transitional services will become increasingly more important. Sometimes transitional services can include continued case management to help former recipients confront and solve problems when situations arise that threaten continued employment. States also can assist in this transition by expanding transportation services to low-income workers. By expanding access to services, states can help to maintain the safety net for those who are meeting program requirements, but who still do not earn enough to support their families. These services will provide a critical link between workers who are able to maintain employment and those who otherwise would be forced to return to welfare. Because states have more money to spend on welfare and related services, they will need to make the investment while the rolls are declining to ensure that recipients who leave welfare do not return.

The Bumpy Road Ahead

In the transition period between former entitlement programs and a new work-based approach, an increasing number of recipients will depend on support services to enable them to achieve the level of work participation needed for states to meet the mandated participation rates. Transportation is but one of the critical challenges facing states. "The real challenge of welfare reform is ensuring that new jobs are available and that we provide

the job training, child care and transportation services that are necessary to help families succeed," said Senator Rodney Ellis.

Policymakers will need to look for innovative solutions and maximize the new flexibility afforded under TANF. At the same time, state lawmakers will realize that transportation options that work for some will not work for others. Developing and fostering relationships with other agencies, organizations and employers who can provide needed services to TANF clients is essential. This means looking outside the normal areas of expertise and working with agencies, organizations and people with whom they do not have traditional ties. The long-term success of welfare reform depends on states confronting the challenge by offering recipients the assistance they need to succeed.

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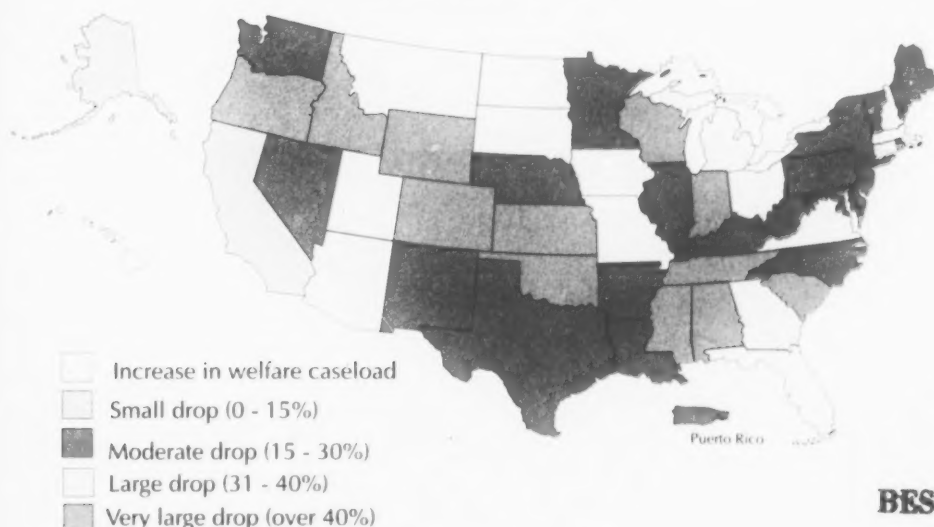
Welfare To Work Transportation—Articles and resources targeted at welfare reform; Maintained by the Department of Transportation <http://www.ctaa.org/welfare/>

Federal Transit Administration—Resources on transit innovations
<http://www.fta.dot.gov/ntl/index.html>

6. ENSURING THE WELL-BEING OF CHILDREN UNDER WELFARE REFORM

Two-thirds of welfare recipients are children who will be affected by the work requirements, sanctions and time limits imposed by welfare reform on the adults in their families. The requirement to put most adults to work within two years and to terminate cash assistance after five years will affect a large number of families. Indeed, a significant number of welfare recipients already have left the rolls, a trend that began before passage of the federal welfare reform law. Nationwide, welfare caseloads have dropped more than 30 percent during the past few years (see figure 7), largely as a result of a healthy economy and a change in attitudes about welfare and work.

Figure 7.
Changes in Welfare Caseloads
Fiscal Year 1994 to July 1997



Source: U.S. Department of Health and Human Services, 1998.

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Accordingly, the issue of child welfare is of immediate concern to states, although lifetime limits have affected relatively few families so far. There are as yet little comprehensive data about how these post-welfare families are faring, whether they have achieved self-sufficiency or whether they have sunk further into poverty.

Welfare reform is likely to affect children in different ways, depending upon the economic potential of a child's parent. Clearly, some families will do better than others after leaving welfare. Some children may benefit if employment increases family income and enables parents to provide more for their families and to become better role models. Conversely, some parents—including some of those who move from welfare to low-wage jobs—are likely to experience hardship after welfare. For example, a minimum wage job at \$4.75 per hour amounts to an annual income of \$9,120, which is \$6,480 less than the 1996 federal poverty level for a family of four. A recent study found that one-fifth of former welfare recipients remained poor for the entire five-year period after leaving welfare, and that 60 percent were poor in one to four of the five years.³¹ Young women, those with more children, those with less education and those living in urban areas appear to have the most difficulty achieving self-sufficiency.³² Children in these poor families tend to be less healthy, have more behavioral problems and perform more poorly in school than other children. Single parents who work at low-wage jobs are vulnerable to higher levels of stress, which can lead to poorer parenting. Also, work requirements will likely mean that children will spend more time in child care, which often is inadequate to meet children's developmental needs.

Key Questions for States

State policymakers concerned about the effect of welfare reform on child welfare should ask the following questions:

- What happens to families that leave welfare and what mechanisms are in place to track these families?
- Will the state provide continuing assistance in the form of a safety net to children and families when it is needed?
- What effect will welfare reform have on the existing child welfare system?

Tracking Families that Leave Welfare

Although most states have no systematic way to keep track of the well-being of families that leave welfare, a few states are monitoring post-welfare families. Tracking former welfare recipients serves two purposes. First, it helps a state evaluate the effectiveness of its program to help families become self-sufficient and whether the effects of welfare reform on children require program changes. Second, it helps identify risks to children's health, safety and development that require immediate state intervention. Ideally, monitoring should include families that leave welfare for any reason, including employment, marriage and voluntary withdrawal, not only those families that lose welfare as a result of sanctions or time limits. The mere fact that a parent leaves welfare for work does not mean that the family has achieved economic self-sufficiency, because many jobs do not pay a living wage.

Indicators of Child Well-Being Under Welfare Reform

If tracking former welfare recipients is to generate useful data, it is important to identify key child welfare outcomes for measurement. Child welfare experts have identified several indicators, including:

- Rates of poverty among young children.
- Measures of children's readiness for school and school achievement.
- Measures of children's physical and emotional health.
- Quality of child care available to children of low-income families.

Irene Robling of the Manpower Demonstration Research Corporation cautions against using rates of child abuse reporting and out-of-home placement as measures of the success or failure of welfare reform because such rates are affected by too many variables unrelated to changes in families' welfare status. For example, one bad case such as a child fatality or other system failure can result in a 25 percent increase in child abuse and neglect reports. Rates of out-of-home placement also are affected by changes in child protection policy from one administration to another. She recommends the following measures as more valid indicators of how welfare reform is affecting child well-being.

- **Food Stamp and Medicaid Eligibility.** Because welfare reform is not supposed to change children's eligibility for these benefits, any decrease in the number of families applying for and receiving them may indicate a problem.
- **Child-Only Cases.** An increase in the number of recipient children living with someone other than a parent may indicate that welfare reform has made it more difficult for parents to support their families.
- **Child Care.** States also should monitor how much child care is available, the cost and quality of available care, and which families are using child care.³³

Although states should not rely solely on the number of child abuse reports and out-of-home placements in assessing the effect of welfare reform on child well-being, a marked increase in these formal contacts with the child welfare system should prompt a closer review. If abuse reports increase, for example, states may want to analyze the child welfare caseload to determine how many families reported for child maltreatment have recently left the welfare rolls. A significant correlation may be cause for concern.

States have used two methods of tracking: 1) visits to all families formerly on welfare and 2) more conventional methods of research involving a random sample of former recipients. There are advantages and disadvantages to both these approaches. An in-home visit is more likely to uncover threats to child well-being and to connect families with child welfare services than is a written survey or a telephone interview. Also, a commitment to visit every family has the potential to yield more data than sampling. On the other hand, home visits are more expensive than conventional evaluations and require more staff time. It often is difficult and time-consuming to locate families for a visit. Surveys, on the other hand, are relatively simple to conduct. State lawmakers can require the state to collect data and conduct or arrange for studies of the effect of welfare reform on specified child welfare

outcomes. For example, Arkansas and Illinois both require that evaluations of their welfare reform programs include some examination of child welfare outcomes. Arkansas' welfare reform legislation requires a formal evaluation that includes an assessment of the "effects of the [Transitional Employment Assistance] program on recipients and their children."¹⁴ Illinois enacted legislation requiring the state Department of Human Services to create a comprehensive database on the welfare caseload and to arrange for a university to conduct a longitudinal study of families in the system. It sets forth in detail the areas to be studied, including the effect of support programs on employment, the income of former recipients, reasons for job loss, the effect of mandatory work requirements, the effect of sanctions, patterns of TANF usage and recipients' participation in other public systems, such as the child welfare system.¹⁵

State examples

Tennessee's Home Visit Program—Under Tennessee's Families First Act of 1996, the state Department of Health is required to monitor and protect the safety and well-being of the children in families that lose temporary assistance for any reason other than successful transition to economic self-sufficiency. The legislation specifies that the Department of Health shall conduct one or more in-home visits to such families within 30 days of the termination of benefits. The law also authorizes the state to extend temporary assistance if it is needed in order to prevent a child's loss of housing, heat, light or water, or to prevent removal of a child from parental custody. If it appears from the home visit that a child is at risk of neglect or abuse, the Department of Health is to refer the family to the state child welfare agency.

The University of Memphis reported in August 1997 on the results of a preliminary survey of families that were dropped from Families First from January through April 1997 due to noncompliance with program requirements.¹⁶ The vast majority of those sanctioned were females in their 20s with an average of two children. Although the report does not include data directly related to child welfare, it indicates that most sanctioned families are not experiencing extreme financial difficulties. Almost 40 percent of those sanctioned reported working full- or part-time at an average wage of \$5.50 per hour. One-half received help paying bills, mostly from family members. About 70 percent reported being able to pay rent and utilities. Only 1 percent of those surveyed was sanctioned because of failure to have their children immunized or checked for health problems.

Iowa's Well-Being Visits—Iowa's welfare reform legislation requires the state to attempt to visit and inquire into the well-being of participants in the state's Limited Benefit Plan (LBP). The LBP is a program of reduced assistance for welfare recipients who either do not enter into a family investment agreement (FIA) or do not take the steps toward self-sufficiency set forth in an FIA. The LBP provides three months of reduced benefits followed by six months of no benefits, after which a recipient may reapply for full benefits, provided he or she complies with the requirements of a new FIA. A recipient who initially declines an FIA may reconsider his or her decision and enter into an FIA within the first three months of the LBP.

The Iowa statute requires well-being visits by a "qualified social services professional" in accordance with the following schedule:

1. Recipients who declined an FIA are to be visited during month two of the LBP and again during month four if they have not agreed to an FIA during the three-month reconsideration period.
2. Recipients who accepted an FIA but who are in a first LBP due to noncompliance are to be visited during month four of the LBP.
3. Recipients in a second or subsequent LBP are to be visited during month two of the LBP.

Welfare Reform and Child Abuse

Some observers warn that welfare reform may lead to an increase child abuse and foster care placements. Extreme poverty is a key risk factor in predicting child maltreatment. In 1993, children in families with annual incomes of less than \$15,000 were 22 times more likely to experience maltreatment than were children whose families earned \$30,000 or more per year.³⁷ However, it is not clear that loss or reduction of welfare benefits leads to an increase in child maltreatment. Some data appear to support an association between these two variables. For example, Los Angeles County reported a 12 percent increase in child abuse and neglect reports following a 2.7 cut in California's AFDC benefits in 1991, and another 20 percent increase after a 5.8 percent benefit reduction in 1992. Other studies have shown little or no correlation between loss of welfare benefits and rates of child maltreatment. Michigan studied 168 families whose AFDC benefits were terminated in April 1996 as a result of noncompliance with program requirements. The study found that the number of children abused or neglected in October 1996 was significantly higher in the group of sanctioned families than in a control group of nonsanctioned welfare families (19.7 percent of children in sanctioned families versus 14.4 percent in nonsanctioned families). However, significant differences in abuse rates between the two groups were found to have existed long before the termination of welfare benefits.³⁸ Thus, it is possible that preexisting family dysfunction underlying higher rates of child maltreatment contributed to the loss of benefits, rather than vice versa.

The Iowa Department of Human Services has contracted with the Department of Public Health (DPH) to perform the well-being visits. DPH personnel assess families' needs for services and, if appropriate, refer families to providers in the areas of health care, employment services, substance abuse and mental health treatment, housing assistance, child protective services, child care, emergency food assistance and other services. The secondary purpose of the visits is to collect data about the experiences of LBP families. Many families cannot be located, do not respond to messages or refuse visits. Accordingly, only about 40 percent of LBP families are actually visited.

Mathematica Policy Research Inc. currently is analyzing data from the home visits and will publish its results in early 1998. In the meantime, Mathematica conducted a separate study of Iowa's welfare system. The study found that about 40 percent of recipients who lost benefits found jobs and experienced an average increase of \$496 in their monthly incomes.

Forty-nine percent experienced an average decrease of \$384 in monthly income, but there was no systematic evidence of extreme economic distress. The survey provided very little evidence that children were separated from their parents or that families became homeless following loss of benefits. Many families reported receiving informal support from relatives and friends and noncash assistance such as Medicaid and food stamps.³⁹ In interpreting the results, the study points out that Iowa's Limited Benefit Plan differs from general time limits in two respects. First, only individuals who are capable of participating in training and employment are assigned to the LBP. Second, the termination of cash benefits is limited to six months.

Maryland—In compliance with a mandate from the state legislature, Maryland tracked a sample of more than 1,000 families that left the welfare rolls from October 1996 through March 1997. The study concluded that "the predictions about the child welfare impacts of welfare reform have not come true at least in the early months."⁴⁰ Of the 1,800 children in these families, only three—all from the same family—entered foster care within the first few months following the termination of benefits. The study also found that fewer than 5 percent of all case closings in the first nine months after welfare reform resulted from the imposition of full sanctions for noncompliance with work requirements. Although the study found that most families who left welfare stayed off the rolls for at least the next three to six months, most of those who returned to welfare tended to have younger children than those who stayed off welfare.

New Mexico—The University of New Mexico surveyed a sample of New Mexico welfare recipients whose cases were closed during the 12-month period from July 1996 to June 1997.⁴¹ Ninety percent of the respondents were female and most had either one or two children. The median age was 32. Almost 55 percent of the respondents left welfare because they found jobs. More than 56 percent were currently employed, mostly in service or retail sector jobs paying between \$6 and \$7 per hour. Respondents who were not employed tended to have more children than did respondents who were employed. The most common form of post-welfare assistance was Medicaid coverage of children. Approximately half of the respondents said they received no help from family, friends or private organizations after leaving welfare. The other half reported receiving help from family.

Safety Net Programs

Safety net programs are intended to protect the families of welfare recipients, particularly children, from the adverse effects of sanctions and time limits. (Such programs are not needed with respect to child-only cases because work requirements and time limits do not apply to them.)

Welfare Sanctions

Recipients can lose all or part of their cash benefits for failing to comply with certain program requirements. Most commonly, these requirements include:

- Participation in a work activity.
- Compliance with a responsibility contract.
- Cooperation with child support enforcement and paternity determinations.
- Ensuring that school-age children attend school.
- Participation in a mandatory substance abuse treatment program.

States vary in their approach to sanctions. Some states, like Iowa and Minnesota, impose graduated sanctions, starting with a small reduction in benefits for first violations and increasing the sanction if the recipient continues to be in noncompliance or if subsequent violations occur. Other states such as Mississippi impose a full family sanction for noncompliance. Although most sanctioned recipients come into compliance, some continue in the program with reduced benefits or lose all benefits permanently.

States have created two types of safety nets. Some states apply sanctions and lifetime limits only to the adults in a family, thereby creating a de facto safety net for the family's children, who remain eligible for cash assistance. California and Indiana have adult-only time limits (five years and two years, respectively). Other states have established a separate system of emergency aid for families that leave welfare. To ensure that this aid is used for its intended purpose, it is sometimes given in the form of vouchers, payments to a protective payee, or payments directly to a landlord or utility company.

State examples

Connecticut's Safety Net—Connecticut's welfare reform law directs the state to provide safety net services to certain families that no longer receive benefits or that are at risk of losing benefits under the state's temporary family assistance program. Such families include those that are ineligible for a six-month extension of benefits because they have been sanctioned twice during the 21-month benefit period or because they have not made a good-faith effort to seek and maintain employment. The law creates a safety net services account to be funded through a voluntary tax refund earmark and public and private donations. Safety net services are required to be provided in kind or through vendor or voucher payment, and may include the following:

- Food, shelter, clothing and employment assistance;
- Eviction prevention;
- Intensive case management; and
- Continuous monitoring for child abuse or neglect.

In addition to providing the services listed above, the state may enter into individual performance contracts with families that are at risk of losing benefits. These performance contracts may require job training, job searching, volunteer work, participation in parenting

programs or counseling, and any other requirements deemed necessary by the state. Families that meet the requirements of their performance contracts before the end of the state's 21-month benefit time limit may qualify for a six-month extension of benefits.

New York's Safety Net—New York's welfare reform law contains a provision for cash and noncash safety net assistance. Noncash assistance includes direct payments for shelter and utilities and a personal needs allowance. The safety net program assumes that families remain eligible for food stamps. To qualify for safety net assistance, a recipient must be financially needy, not be subject to a sanction and fall within one of the following categories:

1. An adult that would otherwise be eligible for assistance if residing with a dependent child;
2. A child under 18, not living with his or her child and who has no adult relatives with whom to reside;
3. A qualified alien who is ineligible to receive TANF funds under the federal welfare reform legislation, or an alien who is permanently residing under color of law but is not a qualified alien;
4. A member of a family that has exceeded the benefit time limit;
5. A member of a family that otherwise would be eligible but for the presence in the family of a person who is abusing substances or alcohol;
6. A member of a family in which a person required to be screened for drug or alcohol use refused to comply; or
7. A member of a family that contains a person who is disqualified from assistance on the basis of refusal to participate in a required substance abuse rehabilitation program.

Those in the first three categories are eligible for cash assistance for up to two years, after which they are eligible to receive noncash assistance. Those in the remaining categories are eligible for noncash assistance, except for certain adults who are exempt from work requirements or who are eligible to receive certain comprehensive health care services. These individuals are eligible for cash assistance.

Effects on the Child Welfare System

The existing child welfare system is an integral part of the public social services safety net and provides child protection, family preservation, foster care and adoption services, among others. Welfare reform will affect the child welfare system both directly and indirectly.

Direct effects on child welfare financing

The federal welfare reform legislation directly affects two important sources of federal funding for child welfare services. Although a proposal to provide child welfare funds through block grants was rejected, the Personal Responsibility and Work Opportunity Reconciliation Act reduced the Social Services Block Grant (SSBG) by 15 percent (although states can transfer some TANF funds to the SSBG) and abolished the Emergency Assistance

(EA) program under Title IV-A of the Social Security Act, rolling these funds into TANF. SSBG funds, which totaled \$2.8 billion in 1995, are used for a variety of social services, including certain child welfare services. In 1990, states used approximately 24 percent of their SSBG grants for child protection, substitute care and placement services. Many states also used EA funds for child welfare services, particularly family preservation and other child abuse prevention programs. In 1995, the EA allocation to states totaled \$1.6 billion. State child welfare agencies that are seeking to maintain the funding that came from the SSBG and EA programs now must look to the TANF block grant and will be required to compete with other state agencies for these funds.⁴²

Other Direct Effects of Welfare Reform on the Child Welfare System

In addition to reducing the Social Services Block Grant and eliminating the emergency assistance program, the federal welfare law affects states' child welfare systems in several other ways.

- States are not obligated to provide TANF to kinship care providers—relatives who care for welfare-eligible children. If states do choose to provide assistance to relatives, then time limits, work requirements and sanctions apply. States, however, can exempt relatives who care for children who were abused or neglected. The welfare reform law also does not affect the eligibility of certified kinship caregivers to receive federal foster care assistance in cases that meet federal criteria.
- The federal law will reduce the number of children who qualify for Supplemental Security Income (SSI) by eliminating eligibility based on use of the individualized functional assessment and requiring children to meet strict medical criteria. Many children who will lose or already have lost benefits are mentally retarded. Loss of SSI will mean that some of these children also will lose eligibility for federal adoption assistance benefits.
- When deciding on child placements, states now are required to consider giving preference to adult relatives over nonrelative caregivers, provided such relatives meet relevant state child protection standards.
- For-profit child care institutions now are eligible to receive federal foster care matching funds.
- Because the federal welfare law abolished AFDC, a child's eligibility for federal foster care assistance—determined based on the AFDC eligibility criteria in effect on June 1, 1995.

Indirect effects on the child welfare system

As previously stated, some observers have warned that the federal welfare reform legislation may result in increased poverty, homelessness, child maltreatment and foster care placements. Even before welfare reform, child welfare agencies were overwhelmed with reports of child maltreatment, which have risen dramatically since the passage of mandatory child abuse reporting laws in the 1960s. These agencies are ill-equipped to handle any increase in child abuse referrals that might result from welfare reform.⁴³ A major question for states, therefore, is the effect welfare reform is likely to have on an already overburdened child welfare system. If welfare reform does not succeed, the resulting long-term financial and social costs could significantly outweigh any short-term

benefits. Although some studies are under way, it is still too early to determine how welfare reform will affect the existing social safety net and the families that rely upon it. We do know that many families will lose cash assistance and many will struggle to support their children. We do not know how many families will be adversely affected or how many children will be at risk of neglect or will enter the child welfare system. Accordingly, states should monitor this situation carefully by tracking recipients who leave welfare to determine the risks to children. They should be prepared to provide the resources necessary to handle an increase in child welfare caseloads, if it occurs.

The Urban Institute's "Assessing the New Federalism" Project

The Urban Institute, in collaboration with Child Trends Inc., is conducting major research into the effect of welfare reform on health care, income and employment, social services, and the well-being of children and families. The study will attempt to measure the causal links between changes in government programs and changes in a wide array of child welfare indicators in 13 selected states. The study also will examine how service delivery systems are coping with changes in state spending on health, job training and social service programs. To obtain more information about the project, contact the Urban Institute, 2100 M Street N.W., Washington, D.C. 20037; (202) 857-8709.

7. OVERSEEING WELFARE REFORM: ACCOUNTABILITY, FINANCING AND DEVOLUTION

During the past few years, most state legislatures have adopted sweeping reforms of their welfare programs, aimed at creating a work-based system. Their actions provide a new foundation for welfare. And now, legislatures want to maintain their involvement by continuing to improve welfare.

Legislators recognize that welfare reform is necessarily a work in progress, and that the rapid pace of change in welfare requires continuing oversight and policy adjustments. The stunning drop in caseloads demonstrates that the welfare system can be changed. At the same time it raises questions about what is happening to the families that do not find work. Policymakers are increasingly recognizing that more must be done to assist recipients with transportation, to provide post-employment assistance that helps them keep jobs and develop careers, and to create more entry-level jobs in city centers and rural areas where recipients cannot find work. They want to ensure that the efforts of the various state and local agencies that have a role in getting recipients into work are coordinated effectively. They want to ensure that there is sufficient financing for new programs, but that state money is efficiently spent. They want to prepare for an economic decline when welfare spending will increase at the same time state revenues decline. They want to engage local governments and nonprofit and private providers in the enterprise, including, in some cases, devolving major responsibilities to local governments and contracting out many of the services provided to recipients. And they want this huge set of changes to work effectively and to be responsive to their concerns.

The future of legislative involvement in welfare reform raises a series of questions about governance—maintaining accountability to the legislature, structuring welfare finance, and planning and devolving responsibility for welfare to local governments. These issues will strongly affect the course of welfare implementation; state legislatures have developed a variety of approaches to these issues. Like welfare program innovations, these governance

by Jack Tweedie

strategies are the subject of scrutiny and use by other legislatures. Accountability, finance and devolution pose important policy questions to many state legislatures as they struggle to continue the transformation of welfare.

Key Questions for States—Accountability

- How is the legislature going to stay informed about the progress in welfare reform implementation and the effects of those changes?
 - How can the legislature remain an active partner in reform implementation that is primarily the responsibility of the executive branch?
 - To what indicators should the legislature pay attention when tracking welfare reform?
 - What tools can legislatures use to influence welfare reform?
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Accountability

Maintaining accountability in the implementation of welfare reforms requires increasing the legislative role in most states. In reforming welfare, many legislatures established an active partnership with governors and executive agencies. Although the executive branch has the primary responsibility for implementing welfare reform, state legislatures still have a critical role. Few legislatures have experience in monitoring the implementation of a complex social program and participating in policy adjustments as implementation unfolds. Many legislatures—particularly those that meet only part-time—do not have sufficient capacity. They need to devise new strategies for maintaining their role.

Legislatures need to work with the executive branch and oversee implementation so that legislative concerns are addressed effectively. To carry out their role, they must establish a foundation for accountability in the welfare reform statutes and set up structures for legislative oversight. Several states addressed this question when writing their statutes and adapted some common legislative strategies to shape implementation.

1. Detailed statutory basis for welfare changes with specific goals.
2. Specific, mandatory reports to the legislature.
3. A legislative welfare reform commission or interim committees overseeing welfare.
4. Detailed line item welfare budgets and active use of budget hearings.
5. Legislative review of administrative rules.

Several states went further and devised new approaches to strengthen their role. Florida and Arkansas provide two examples of how legislatures can overcome the difficulty of maintaining accountability.

Florida

Florida's welfare reform, the Work and Gain Economic Self-Sufficiency (WAGES) program, has provided a model for other states. From the beginning, Florida legislators recognized the importance of continuing their involvement in implementation. In the words of Senate

President Toni Jennings, a primary sponsor of the legislation, "We were all over it. We recognized that reforming welfare would be a continuing responsibility. We set up the WAGES board to direct implementation, but we planned on legislators and staff remaining directly involved. We set up interim projects to deal with critical issues so that we could stay informed and make changes when needed."

The Florida legislation established the WAGES Program state board of directors to oversee welfare reform and ensure coordination and accountability among the state agencies involved in implementation. The WAGES board serves as an agent for the state and its citizens. The board consists of the heads of the six state agencies directly involved—Education, Children and Families (with responsibility for welfare), Labor and Employment Security, Community Affairs, Commerce and the Enterprise Florida Jobs and Education Partnership—and nine members appointed by the governor. Legislative leaders had a direct role in these appointments: six of the governor's appointees come from a list of nominees submitted by the speaker of the House and the president of the Senate. The legislation insures that WAGES policy will be responsive to the concerns of businesses and employers by requiring that six of the appointed members be employed in the private sector and five have management experience. State agencies submit their plans to the board, which then develops a statewide implementation plan that goes to the governor, the president of the Senate, and the speaker of the House. The board updates the plan annually, focusing both on immediate questions and how to meet the goals of welfare reform during the next three years.

Florida's Legislature also plays a direct role in implementation through interim projects on welfare reform. In addition to a project conducting general oversight of welfare reform, their projects focus on evaluating the effectiveness of employer incentives to create jobs for welfare recipients and devising ways to meet the transportation needs of recipients. The interim projects provide a basis for continuing involvement of the Legislature in the critical issues facing welfare reform.

Arkansas

Arkansas' 1997 welfare reform legislation also established a continuing role for the legislature. Its AFDC program had been largely administrative; few directives concerning the program were contained in the authorizing statute. In creating the new Transitional Employment Assistance (TEA) program, Arkansas legislators sought to maintain an active policymaking role, despite the fact that they are in session only three months every two years. They developed several approaches. First, they borrowed Florida's idea of a policy council. Unlike the Florida WAGES board, the Arkansas TEA council has an advisory role but no direct authority over implementation. In addition to the heads of all state agencies involved in welfare reform, the council includes six members who are directly appointed by the chairs of the Senate and House committees on Public Health and Welfare. In the words of Senator Jay Bradford, Senate sponsor of the legislation, "The purpose of the TEA Council was to give the legislature and the people of Arkansas a continuing voice in the development and implementation of the new welfare program. We will not simply leave it

up to the Governor and the Department of Human Services. We want to make sure poor families are protected."

Second, the law requires the welfare agency to submit an implementation plan and detailed quarterly progress reports to the chairs of the legislative committees so that they will have the necessary information to make effective decisions about program changes and appropriations. The committees meet jointly between sessions, so they have ample opportunity to obtain information from the executive branch and discuss key issues.

Third, legislators were concerned that they would not be able to carry out the inquiries necessary to determine the success of implementation. They created a new high-level staff position with specific responsibility to monitor welfare reform. The staff person is assigned to take an active approach to oversight. He or she can devote much more time than legislators could to talk with welfare officials and visit welfare offices. The staff person also can digest the various information that the welfare and other state agencies are required to report, so that legislators are able to use it effectively.

Fourth, the law requires an independent evaluation of the welfare program with biannual reports to the legislature and the governor. The law specifies nine items that the evaluator is to report upon, including the effects of the TEA program on recipients and their children, the effectiveness of job training, and the effectiveness of incentives designed to promote business participation in the program.

Finally, legislators wanted to ensure that recipients who leave the program because of time limits or the new requirements still would be able to care adequately for their children. Borrowing from programs in Iowa and Tennessee, they directed the welfare agency and the Department of Health to propose to the legislature a program of home visits to monitor families that leave assistance.

Experience with other programs and the lessons learned in the past few years with welfare reform indicate how legislators can remain involved in welfare reform. Playing an effective role requires that they strengthen legislative capacities in three ways.

- Legislatures need to build a collaborative relationship with governor's and agency staff, even in cases where they disagree on policy issues. Legislators must rely on the executive branch to implement welfare changes. They also depend primarily on the agency for information about how the program is working and what changes need to be made. Although legislators want to hold the executive branch accountable to the legislative design of reforms, they must find ways to work with these officials to accomplish the ends of welfare reform. The councils in Florida and Arkansas and interim committees in several other states are examples of methods to accomplish this purpose.
- Legislators need access to information about the operation of the program and to decision-making about how that program should run. Several legislatures have

required detailed reports to the legislature about how the program is working. In many states, however, legislators are reluctant to rely wholly on agencies and the executive branch for information. They want an independent source of information that has no stake in certain outcomes. Using independent evaluations with reports directly to the legislature helps ensure that they receive adequate and unbiased information.

- Legislators need to identify critical indicators of welfare reform success and problems. They need timely information about whether reforms are succeeding or whether they need changes such as new or amended programs or additional funding. Some are reaching out directly to welfare experts for advice. In Arkansas, legislators will use the independent evaluator both to obtain information and to help them interpret that data to identify key indicators of success and difficulties.

There are a variety of different approaches to legislative oversight and accountability. Legislatures can build on their existing practices and relationships to carry out these responsibilities, but effectively monitoring welfare reform requires a level of involvement beyond the existing practices of most legislatures. As in the case of welfare programs themselves, legislatures are experimenting with new strategies for oversight that hold promise to increase the role of legislatures in welfare reform and increase the responsiveness of welfare reform to legislative concerns.

Financing

When the federal welfare reforms passed, no one was concerned about welfare caseloads dropping more than expected. The primary concern was that caseloads would increase and states would face tough choices about increasing state welfare spending or cutting benefit levels. That has not yet occurred. Instead, welfare programs are in a strong financial position; they have more money to help recipients find work and provide child care even though most states are reducing their contributions to welfare spending. Because caseloads have declined so drastically, most states can maintain benefit levels; increase spending on services such as job training, child care and transportation assistance; put money in a reserve fund; and reduce state welfare spending.

Key Questions for State—Finance

- How can states take advantage of the current strong economy, declining caseloads, and existing money appropriated for welfare?
- Do states risk reduced federal block grants if they do not spend all their federal money?
- Should legislatures use detailed appropriations to guide welfare policy?
- How can states prepare for economic declines when welfare caseloads increase at the same time state revenues decrease?

In the current situation of a strong economy and lower caseloads, states can invest money in the kinds of services that can continue to help recipients leave welfare and become self-sufficient. States still have a good deal of work to do to reach the work-based welfare

system envisioned in state and federal reforms. A successful work-based welfare system will take new programs and money to develop and implement those programs. Under the new block grant funding, states have that money. As state legislatures again address welfare policy in the current sessions, many states are in the unexpected position of having to take money already appropriated for benefit payments and use it to increase support services for welfare recipients who are trying to find jobs.

The TANF block grants adopted by Congress in 1996 change the structure of federal financial assistance to states. In the Aid to Families with Dependent Children (AFDC) program, the federal government reimbursed states for welfare spending at a level between 50 percent and 80 percent, depending on state per capita income. Now, states receive a fixed amount—the block grant. Each state's block grant amount was based on the federal money it received for AFDC from 1992 to 1995 when caseloads were high. The federal law also included a maintenance of effort (MOE) requirement. States had to spend at least 80 percent in state money compared to their expenditure in the baseline year (or 75 percent if they met the state work participation requirements contained in the federal law). For every dollar the state fell short of its MOE level, the block grant would be reduced by \$1. States would also lose eligibility for the welfare-to-work grants. When the TANF block grants were enacted, caseloads had declined somewhat from those baseline levels, so most states received more federal money under TANF than they would have under the former system. However, the block grant will not change automatically when a state's assistance spending increases or decreases. This change shifts much of the financial risk of welfare programs to the states.

Early state concerns involved the effects of spending increases, especially since economic factors outside state control have such a large effect on welfare caseloads and spending. Under TANF, if spending goes up, states bear some or even all of the cost. In a poor economy, states could be reimbursed for part of their spending increase. The federal law set up a \$2 billion contingency fund that states can access if they experience a large increase in their unemployment rate or food stamp enrollment. If a state qualifies for the contingency fund, it receives federal reimbursement at the state's former AFDC match rate for all spending beyond the 100 percent MOE level. If a state does not meet the unemployment or food stamp triggers, it must bear 100 percent of the added cost. In a limited recession, welfare caseloads might increase and states would have to pay all the added costs of benefits and services to recipients to help them find work. Or, should a state choose to increase job training, child care or transportation services for recipients to help them get jobs or to spend money to create community service positions, it would have to pay these added costs. Several states committed to these kinds of increases before the scope of caseload reductions became clear. Because caseloads already had decreased somewhat from baseline levels when the federal block grants took effect, states knew that they could increase spending for services to recipients without increasing state welfare spending.

Many analysts were concerned about the effects of the block grant incentives on state budgets. They were afraid that states would cut welfare spending and allocate the money to other programs or tax cuts. States could decrease welfare spending by cutting benefit

levels or by reducing spending for services to help recipients get jobs. Even though a state would be able to keep all those savings (as long as it meets the MOE requirement), no state has proposed to cut spending for services to recipients and few states have considered cutting benefit levels.

Even before TANF was enacted, states had started to increase spending on support services to recipients to help them find jobs. The TANF state work participation rate requirements (with financial penalties) and the federal five-year time limit reinforce state emphasis on helping recipients find jobs and leave welfare. Legislators and other state policymakers rejected cuts in job training, child care and transportation assistance for welfare families as a shortsighted strategy that would quickly result in problems in meeting the federal mandates. The caseload drop has enabled states to make additional resources available to families so they can leave welfare.

States also have maintained benefit levels. Most states have not increased benefit levels much during the past few years so they have lost purchasing value compared to inflation. States generally are taking a wait and see attitude toward benefit levels under TANF, neither increasing nor decreasing them significantly. Only California has implemented large cuts in benefit levels (from \$607 to \$555 for a family of three) and those cuts were legislated in 1994, before TANF was enacted. Hawaii also instituted progressive reductions in benefit levels before the enactment of TANF. Nine states are planning benefit increases in 1998.

Taken with the ambitious work requirements in the federal bill and the five-year time limit, block grants give states strong financial incentives to move recipients from the welfare rolls by developing programs to get them into work so they can support their families. Caseload reductions lead to reduced welfare spending—the money that would have gone to those families in cash and to pay for administering their cases and providing services (although many recipients who leave the rolls often still will qualify for services such as child care or transportation). As long as state spending reaches the minimum MOE level, the state can keep all the savings. States can reduce their own spending by up to 25 percent and can bank the federal block grant for future welfare spending. (If a state does not use block grant funds, the funds remain allocated to the state. The money remains available to the states and the next year's block grants are not affected by the state's choice not to draw down the entire block grant. The remaining funds in the block grant account are like a savings account that draws no interest.)

That was the deal in the federal change to block grants for welfare. States would receive block grants and, in return, they would be responsible for meeting ambitious work goals and moving most recipients off welfare. The block grants gave them incentives to operate effective programs. Moving recipients off welfare would save states money.

What no one anticipated at the time was the stunning rate at which caseloads would drop. Between January 1993 and July 1997, the number of families on welfare nationwide dropped 27 percent. In five states, it dropped by more than 50 percent and in seven others it dropped by more than 40 percent. This drop in state caseloads is larger than any in

history. It surprised most analysts and put states in a much different financial position than they had anticipated. The federal block grants go much further than expected. States have fewer welfare families, but their federal block grant does not change as long as they spend state money up to their required MOE level. Instead of dealing with increased caseloads with a fixed amount of money, states have extra resources to focus on the difficult challenges of moving recipients into work and off welfare.

TANF Block Grants and the New Math of State Spending

The new math of block grants, state MOE and decreasing caseloads is astonishing. Consider Ohio, for example, where caseloads dropped by 33 percent. With the current block grant and the state and local contributions, Ohio can increase benefit payments by 10 percent, increase the money for administration and services per welfare family by 50 percent, leave 10 percent of the block grant as a reserve fund, transfer \$36 million to the child care development or the social services block grant and, at the same time, reduce its own spending to the 80 percent MOE level. Most states are in this unexpected strong financial position. They can increase job training, child care and transportation services for recipients and those who leave the welfare rolls. At the same time, they can reduce their state spending and still leave block grant money at the federal level as a reserve fund for an economic decline.

The New Math of Block Grants and MOE in an Era of Decreasing Caseloads The Ohio Example

FY 1994

Caseload: 691,000 recipients
Total welfare spending - \$1,173 m
State and local money - \$521 m
Federal money - \$652 m
Average cash payment per recipient
- \$116 per month (\$1,392/year)
Spending for benefits - \$962 m
Spending for administration and services
- \$221 m (\$320 per recipient)

FY 1998 - Projection

Caseload: 481,000 recipients (July 1997)
Welfare money available - \$1,173 m
State and local money - \$521 m
Federal block grant - \$652 m
Spending for benefits
(at same rate as FY 1994) - \$670 m
Spending for administration and services
(at same rate as FY 1994) - \$154 m
Total spending - \$824 m

If Ohio's cash payment per recipient and admin/service spending per recipient remained the same as in FY 1994, the state would have \$349 m left over.

With this money, Ohio could:

- Increase benefit payments by 10 percent at a cost of \$67 m.
- Increase administration and service spending by 50 percent at a cost of \$77 m.
- Leave 10 percent of the block grant as a reserve fund at a cost of \$65 m.
- Transfer \$36 m to the child care or social services block grants.
- Reduce its MOE level to 80 percent at a savings of \$104 m.

Source: U.S. Department of Health and Human Resources; projection by NCSL, 1998.

Table 2.
State Spending and Cases FY 1998

State	State Welfare Appropriations - FY 98 (in millions)	State M.O.E. Level - FY 1998	Case-load Change - FY 1994 to July 1997	Increase in Welfare Money Available per Family
Alabama	42.9	82%	-44%	69.1%
Alaska	53.6	82%	-11%	2.7%
Arizona	114	90%	-31%	40.7%
Arkansas	31.9	115%	-26%	39.7%
California	2,915	80%	-14%	4.1%
Colorado	89.6	81%	-49%	80.9%
Connecticut	217.7	89%	-13%	8.2%
Delaware	25.9	89%	-21%	19.4%
District of Columbia	n/a	n/a	-13%	n/a
Florida	460.4	93%	-39%	59.0%
Georgia	225.6	98%	-38%	60.2%
Hawaii	94	97%	20%	-17.9%
Idaho	14.5	79%	-66%	172.7%
Illinois	510.1	89%	-23%	22.9%
Indiana	113.4	75%	-50%	82.7%
Iowa	65.8	80%	-33%	38.4%
Kansas	80.2	97%	-45%	81.0%
Kentucky	89.8	100%	-27%	37.5%
Louisiana	59.1	80%	-28%	31.8%
Maine	42.6	85%	30%	34.6%
Maryland	202	86%	-30%	33.5%
Massachusetts	364.1	76%	-36%	37.9%
Michigan	470.7	75%	-36%	39.9%
Minnesota	217.1	91%	-19%	18.4%
Mississippi	28.9	100%	-45%	82.2%
Missouri	150	99%	-11%	44.1%
Montana	17.5	84%	-39%	56.2%
Nebraska	48.7	126%	-17%	32.8%
Nevada	30.2	89%	-26%	27.6%
New Hampshire	32.1	75%	-37%	38.4%
New Jersey	303	75%	-24%	15.6%
New Mexico	46.8	94%	-23%	28.1%
New York	1,807	79%	-20%	12.1%
North Carolina	213.8	104%	-30%	45.8%
North Dakota	9.7	80%	-36%	48.1%
Ohio	417	85%	-34%	43.7%
Oklahoma	61.2	75%	-43%	62.8%
Oregon	100.5	82%	-51%	88.5%
Pennsylvania	411.5	76%	-30%	27.4%
Rhode Island	68.8	85%	-17%	32.2%
South Carolina	54	113%	-45%	89.1%
South Dakota	11.7	100%	-35%	52.6%
Tennessee	104	94%	-46%	80.2%
Texas	252.3	80%	-37%	33.9%
Utah	26.9	80%	-36%	47.8%
Vermont	26.7	78%	-14%	33.0%
Virginia	136.7	80%	-39%	46.7%
Washington	321.3	89%	-18%	15.8%
West Virginia	32.9	75%	-30%	33.7%
Wisconsin	169.2	75%	-36%	102.9%
Wyoming	13.3	79%	-70%	210.9%
Puerto Rico	78.4* this includes federal and state money		2%	
National average				47.8%

Source: Compiled by Jack Tweedle, NCSL

Even if every state dropped its MOE to 75 percent, most still would have more than a 30 percent increase in resources available per family. And this calculation understates the amount of money states have for increased services to help recipients find work. Across the country in 1994, states allocated less than 20 percent of their welfare spending to administration and services to recipients, including the JOBS program. Since few states are considering increasing benefit levels, they have substantial new money for services. Thus, it is surprising that only seven of the surveyed states reduced state spending to the minimum level. And those seven states are the ones that had even larger caseload reductions. Indiana, for instance, is spending at the 75 percent MOE level in FY 1998. The caseloads in Indiana have dropped by 50 percent, however, which gives the state an 82 percent increase in federal and state money per family.

States currently are in strong financial positions: the economy is strong, tax revenues are up, welfare spending is down sharply, but federal financing has remained constant. Indeed, many states are in the position of having to increase their welfare spending to meet the federal MOE requirement. The combination of the block grants and two federal laws governing state use of federal money requires states to spend at least 75 percent of their block grant and 75 percent of their FY 1994 state spending to qualify for the full block grant. In some states caseloads have declined so much that the states instead have to develop new programs or expand existing ones to spend the money that is not going as cash assistance to families that have left the welfare rolls. In the coming legislative sessions, resources are available for further investments in new and expanded programs to help recipients, particularly those that are hard to serve. Many legislators see this as a critical time to strengthen the welfare reforms they have begun.

Investing more money in welfare is important now, because of the prospect that the economy will weaken at some point. Caseloads and welfare spending will increase at the same time that state revenue decreases. Successful work programs can reduce welfare caseloads and reduce the risks involved in economic downturn. States also may want to establish flexible programs so that, in case of an economic downturn, they can change the services and assistance provided. States can use the money they have now to invest in expanded job creation or education and training programs designed to reduce long-term dependency.

Another option many states are adopting is to establish a reserve for increased welfare spending in economic recessions. The current structure of the block grants means that once states spend up to their required MOE level, they qualify for the entire block grant, even if they do not spend it during that year. Leaving money at the federal level would not affect the next year's block grant. Leaving part of the block grant as a reserve fund makes sense for states that are concerned that a reverse in the current strong economy will produce a large increase in welfare spending at the same time state revenues decline. The danger, however, is that the federal government will see that a substantial portion of the block grants is not being spent. It may cut the grants or require that states spend them for other purposes. Historically, block grant funds have decreased and conditions have increased, so states need to be concerned about this prospect. Congress recently began requiring states to take

more spending responsibility under TANF as food stamp and Medicaid administrative costs were shifted to the states. States may have to be careful to both maintain a reserve account and maintain their welfare spending at levels that demonstrate the need for continuing the current funding of block grants.

Financial questions will continue to be central in the implementation of welfare reform. So long as the number of caseloads remains low, the key issue will be how to use the money available to improve the operation of welfare so that more families can support themselves without welfare. The critical time for welfare reform will be when the economy declines and caseloads increase. The first question, then, will be how much progress states have made to help families become self-sufficient—how many have found work and stayed in jobs. The second will be how states will respond when paying benefits and providing services become more expensive because caseloads have increased. By then, most states will have cut their state contributions to welfare and it may be difficult to increase state general revenue spending when revenues are decreasing. State reserve funds will help, but states may have to increase state spending to their FY 1994 levels and above to gain access to the federal contingency funds. The better states do now in investing in programs to get recipients into work, the better position they will be in when the economy declines.

Devolution to Local Governments

States also have used the flexibility under the TANF block grants to pass broader authority and responsibility to local governments. In 11 states, counties—and, in some cases, cities—already had primary administrative responsibility for AFDC. TANF gives states much broader policymaking authority, and states with county-administered systems have used different approaches to pass this authority to counties (see figure 9).

Figure 9.
Administration of TANF Programs



Source: American Public Welfare Association, 1997

National Conference of State Legislatures

The primary arguments for devolution to counties involve their being smaller and closer to the economic and social conditions that influence welfare. First, counties differ economically and socially. Solutions that might work in an urban county may not be effective in a suburban or rural county. County officials might be better positioned to recognize the critical economic and social circumstances in their area and to adopt policies that fit those conditions. Second, local elected officials might be able to develop policies that fit the particular political and social cultures of their areas. In an area with strong family values, officials may emphasize the responsibility of noncustodial parents or the importance of mothers being able to stay at home with very young children. Third, local officials might be better linked with local employers and their needs, and thus be better able to find jobs for recipients. Fourth, it might be easier to coordinate the various agencies that serve welfare recipients locally. Providing recipients with the services they need to obtain jobs requires the cooperation of various state and local agencies—schools, community colleges, employment security, transportation, social services and child care. With commitment from the heads of state agencies, local efforts that focus on local resources and problems might better avoid the necessity to develop statewide approaches by relying on community members' abilities to focus on solving concrete problems.

Key Questions for States—Devolution

- Which responsibilities for welfare are better handled by state governments and which by counties?
- Which welfare policies should be standardized statewide as a matter of fairness and to avoid recipients moving to receive better benefits or services?
- How much of a risk is recipients moving between counties and how should it be handled?
- How can counties' capacity for welfare policymaking and administration be increased?
- How can states monitor counties to ensure that state concerns are respected?
- How should state-county finances be organized to give counties appropriate incentives and to protect counties from economic downturns?

State-to-county devolution also raises some concerns. First, states have to decide how the welfare program policies should reflect statewide values rather than vary across the state according to local politics, economy and budgets. Second, differences in the benefits, services and requirements of county welfare programs may result in recipients moving to other counties to take advantage of better training programs or more generous benefits. Although there was little evidence that recipients moved in response to differences in state AFDC programs, moving from one county to another could become more common. It simply is not known how recipients would respond if there were substantial differences between county programs. One key factor here is which policies are made subject to county policymaking—benefit levels, time limits, work participation requirements, training services or child care. As the scope of county policymaking expands, the questions increase in regard to fairness between counties and the prospect of recipients moving between counties.

Third, even in states where counties have long administered AFDC, the question remains whether all counties have sufficient policymaking and program development capacity to

manage the transformation to a work-based welfare system. Developing a county-based welfare system under TANF is much different than administering AFDC, where few policy options existed and fewer recipients were required to work. If a state decided to pass policymaking authority to counties, it would be important for it to assess and build the capacity of counties to handle these new responsibilities. Fourth, the different economic conditions of states lead to questions about whether the state should treat each county in the same way. In bad economic times should a county that has few employers receive extra state assistance compared to a booming suburban county? How can states be fair to their counties while still giving them the incentive to move welfare recipients into work? These questions would need to be dealt with in a plan for devolution.

Devolution of responsibility for welfare to counties is even newer than the federal-state devolution in TANF. States do not yet have satisfactory answers to the questions of how counties can better carry out some responsibilities than states. Nor do they know how serious the potential problems are. Several states are experimenting with county devolution—some are moving slowly while maintaining primarily state programs; others are moving more rapidly, but are including careful monitoring and evaluation to protect against potential problems.

California, Colorado, Maryland, North Carolina, Ohio and Wisconsin have taken the lead in developing state-to-county devolution. All six already had county-administered welfare systems. They maintained many statewide policies for eligibility, benefit levels, work requirements, time limits and sanctions. Counties are given the responsibility for administering the system, developing programs for work requirements and preparing recipients for work. These states also structure financial incentives to focus counties on moving recipients into work. Counties can keep a large share of the savings when recipients work and reduce or lose their benefit payments. The states also have provisions for penalizing counties that fall short of the federal work participation rates. Focusing on four state programs illustrates the range of experimentation in devolution.

California established a state program, but gave counties critical responsibilities within that program. The state program sets the eligibility criteria and benefit levels that vary between three regions. The statute sets a 24-month time limit for current recipients and an 18-month limit for new applicants, but allows counties to extend the 18-month limit by six months if it is likely to help the recipient find unsubsidized employment. Counties also can continue payments to a family beyond 24 months if they certify that no employment is available and the recipient participates in community service. Counties are responsible for developing welfare-to-work services—employment services, community service opportunities, all necessary support services and assistance to recipients who no longer require aid. The statute also creates a performance outcome monitoring system and fiscal incentives for counties. Half of any federal penalty for failing to meet work requirements would be shared by those counties that failed to meet the requirement. Counties also can keep 75 percent of any savings due to recipients who become employed for six months, and increased earnings due to employment or diverting applicants from continuing to receive aid through the diversion program. The remaining 25 percent of the savings would be distributed to

counties based on performance standards to be developed by the state department and the counties.

Colorado created a county block grant system for cash assistance and child care that gives broad responsibility to the counties. The state sets eligibility standards, benefit levels and a time limit of five years. It gives block grants to counties equal to the amount of federal and state money the county received for AFDC in FY 1994-95 (the baseline year for Colorado). Colorado counties paid 40 percent of the state share in the AFDC program. Contracts between the counties and the state department will specify a county maintenance of effort based on its spending in FY 1994-95. For FY 1997-98, counties are to maintain a 100 percent MOE. It also establishes a performance-based contracting system between the state and the counties that rewards success in moving recipients from welfare to work. It gives counties that are unable to meet the need for assistance the power to reduce benefit levels proportionately, create a waiting list or eliminate some forms of assistance. Within the state eligibility structure, counties are given the financing and broad authority to develop their own programs to move participants into the work force. They also can request waivers from certain state provisions, but not eligibility or benefit levels.

North Carolina has gone further by allowing some of its counties to choose not to participate in the state system. Electing counties can change any or all welfare rules—including time limits, eligibility standards, benefit levels and work requirements. After difficult negotiations over how many of North Carolina's 100 counties could elect to run their own systems, legislators agreed that electing counties could not include more than 15.5 percent of the state welfare caseload. This will restrict the number of large counties that can enter the system; only one of the state's three largest counties can qualify without exceeding the limit. The state agency and the General Assembly will continue to play a central role. Counties that decide to run their own systems will submit plans to the state Department of Human Resources, which then will assemble a state plan indicating which counties will be able to run their own systems. The plan then will be submitted to the legislature, which will give final approval. The statute also includes considerable monitoring of the county plans by the department and by an independent evaluator to determine whether the county option should continue, expand or be terminated. County plans include goals for the program, counties that meet the goals are allowed to reduce their maintenance of effort.

Wisconsin is using a competitive process and performance-based contracting in its Wisconsin Works (W-2) program. The state set benefit levels and eligibility standards, including a work requirement for all recipients. The performance contracts give the local W-2 agency a fixed price contract and flexible authority to provide comprehensive services—administration, cash benefits and services—to move recipients into jobs. The W-2 agencies can keep a share of any savings, but also bear a risk if caseloads increase. Most contractors were counties that were given contracts in a noncompetitive process if they met the state's criteria. Ten private agencies received contracts, including five in Milwaukee, which was broken into six service areas. The Wisconsin experiment is particularly

interesting because it combines devolution to counties with performance contracting and involves some competition between government and private providers.

In these states, counties share responsibility with the state for transforming welfare. They face many of the same challenges. State legislatures across the country will be watching to see how local policymakers can be partners in changing the welfare system. Even states where counties have had small roles in the past are considering how to work with local governments. This will be an area of continuing change as states gain experience in how best to allocate welfare responsibilities.

Devolution in a State-Administered System

Florida illustrates a different approach to devolution. It has a state-administered system, but it has organized the work force development effort of its WAGES program into 24 regions. Each region consists of one to five counties and has a local WAGES coalition that is responsible to "plan and coordinate the delivery of services" to WAGES participants in the region. The local WAGES coalition includes members from the principal agencies responsible for employment, training, education and services to recipients, as well as representatives from the business community, a community development board, and a grassroots community organization. To emphasize links between the coalitions and employment, half the members must be from the business community. The functions of the boards include:

- "Developing a program and financial plan to achieve the performance outcomes specified by the [state board],
- "Developing a funding strategy to implement the program" that includes funds from government and private sources,
- "Identifying employment, service, and support resources in the community," and
- "In cooperation with the jobs and educational regional board, coordinating the implementation of one-stop career centers." (Section 414.028 (4), (5), and (6), Florida Statutes)

Conclusion

States continue to transform welfare into a work-based system. The foundations of that system are in place—requiring work, limiting how long most families can receive benefits, and providing services to enable welfare recipients to obtain jobs. States now are implementing these reforms and adjusting them as problems and new opportunities become apparent. They are learning about how to accomplish change in welfare at a rapid pace—from their own reforms and from those in other states. Legislatures have a critical role to play in this process. They have worked to develop expertise on welfare issues and include methods to participate in welfare policymaking. The next few years will demonstrate the effects of these two efforts—transforming welfare and asserting the role of legislatures in social policy.

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Meeting the Challenges of Welfare Reform Programs with Promise

States and the federal government have transformed welfare in the past few years. The long-standing federal-state structure of the Aid to Families with Dependent Children Program was replaced with the Temporary Assistance to Needy Families (TANF) block grants. States have broad authority to design and implement their own welfare plans. Federal block grants provide continued financial support, while giving states incentives to move welfare recipients into jobs and off welfare. Federal requirements—state work participation rates and the five-year lifetime limit—reinforce states' emphasis on requiring recipients to work and providing the needed support services to enable them to do so.

States have taken up the challenges of transforming welfare. Starting before the federal legislation was passed, states have been proposing new strategies—time limits, work activity requirements, job training, job development, child care, transportation, and safety net programs—to find recipients jobs and move them off welfare. They have also developed new approaches to policymaking and implementation—legislative-executive policy councils; increased coordination between welfare, labor, education, and transportation agencies; devolution to local governments; performance-based budgeting; and contracting with nonprofit and for-profit providers.

State legislators recognize that the transformation of welfare has only begun. Critical questions remain and policymakers will continue to develop new ideas and implement programs from other states. This book contributes to the learning process among states by sharing program innovations and analyses to help states realize their goals for a new welfare that helps recipients find and keep jobs that enable them to support their families without welfare.



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